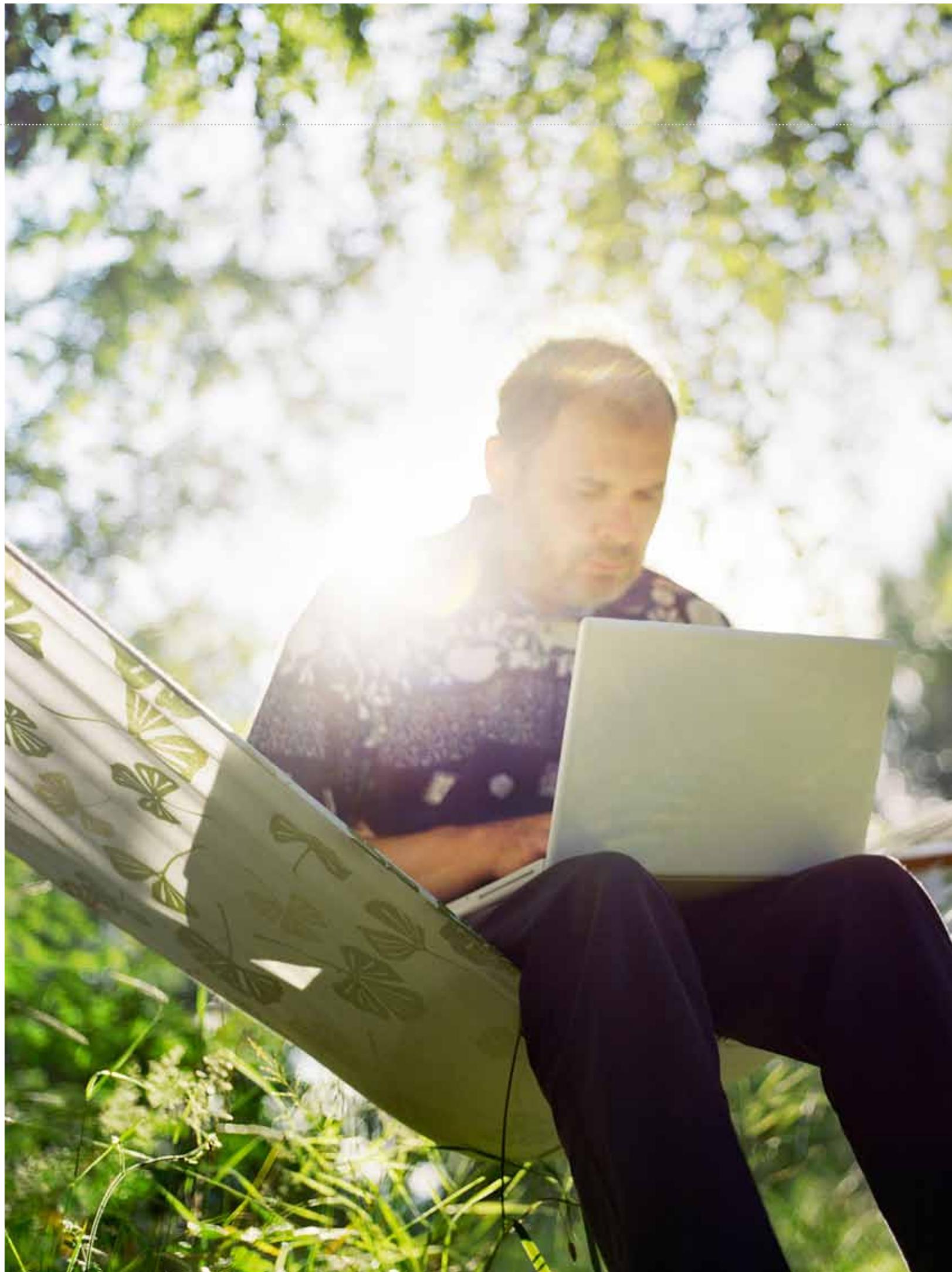


**Annual Report 2010**







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## DIRECTOR-GENERAL'S REVIEW



I started as Kela's director-general in October. Even though I have only held the post for a few months, I have noticed that there has been a great deal of work to do and that a great deal has also been achieved. We expected the year 2010 to be more difficult than it actually was. Unemployment forecasts were bleak, but fortunately the situation was eased by economic growth. Nevertheless, a large number of applications for unemployment security and housing allowance benefits have been received, and processing them has required additional resources.

A large number of substantial projects and restructurings are under way. One could even say that Kela is undergoing a period of historic change. We have outlined the principles and objectives of process management in a development programme and the work on which was completed in autumn. The work is still in its initial stages, but it is already clear that we are on our way towards a new Kela in which we are developing our operations into smoother processes in consultation with the customers. The Kyky project is a good example of a new approach to development of processes in which stakeholders have also been invited to take part for the benefit of the joint customers.

The preparations for the implementation of the guaranteed pension were in full swing during the year under review. We can now say that the thorough preparatory process was worth the effort. The process involving the application and granting of guaranteed pensions has gone really smoothly, another example of a successful process.

The project involving the updating of all benefit systems was started at the beginning of the year. The aim is to substantially increase the degree of automation in the systems; the project also allows us to upgrade Kela's online transaction services and opens up new opportunities for developing the content of Kela's decisions and letters. My hope is that the work will result in decisions and letters that are both clear and easy to understand.

Responsibility for interpretation services for the disabled was transferred from the municipalities to Kela in September. Even though the customer group is fairly small, this is

new territory for Kela and the launching of the service has involved a great deal of work and learning.

More and more customers manage their Kela business outside our offices. Attending to the business online has become increasingly popular and many of the transactions can also be managed by telephone. The new reservation system was introduced in November. It makes matters easier for those customers with business requiring personal meetings with Kela staff. Even though the network of Kela's branch offices is contracting, we know that personal service is also needed. The establishment of joint service points also helps to ensure that residents in remote areas can access our services.

Kela has received positive feedback for its communications during the year. Kela-Kerttu, the advisory service for families with children on a social media discussion forum has attracted a great deal of attention. In February 2011, it received the 'Public Information Achievement of the Year 2010' award granted by the Finnish Association of Public Information. For the first time, Kela published a series of leaflets in plain Finnish, for which it received the 'Plain Finnish Award 2010' from the Plain Language Centre. The feedback generated by the leaflets was so positive that instead of the previously published lengthy leaflets on basic security, Kela now only gives out leaflets about benefits written in plain Finnish.

My predecessor, Jorma Huuhtanen, retired at the end of September. I would like to extend my warm thanks to him for his excellent work for Kela and the Finnish social security system. It has been a pleasure to start work in an agency that was left in such good shape by my predecessor. I would also like to thank Kela's staff, elected officials, partners, and customers for the year 2010. My hope is that successful co-operation and interaction will continue. I will continue to listen to you with an open mind.

  
Liisa Hyssälä

The Social Insurance Institution of Finland (Kela) manages the social security of Finnish residents in the various stages of their lives. The social security provided by Kela covers benefits for families with children, health insurance benefits, rehabilitation benefits, basic security benefits for the unemployed, housing allowance, student financial aid, and guaranteed minimum pensions. Kela is also responsible for providing disability benefits, conscripts' allowances, and special assistance for immigrants.

### **Close to the customer**

The decisions concerning the granting of social security benefits are made by the respective insurance district offices. These offices decide on nearly all benefits. The decisions concerning disability pensions and EU reimbursement of medical expenses and certain decisions concerning student financial aid and occupational health compensation are made by the central administration. For most university students, the decisions concerning applications for financial aid are made by the financial aid committees at universities.

Process management was the strategic theme of the year 2010. The work on the development programme outlining the principles and objectives of process management was completed in the autumn. Process management helps to improve Kela's performance and co-operation between its units. All this will mean better service for the customers – easily and close to home.

The system of guaranteed pensions that enters into force on 1 March 2011 resulted in a great deal of work in Kela during the year. Initially, the number of persons entitled to guaranteed pensions is estimated at almost 120,000. In order to make the application process easier, Kela sent more than 80,000 letters and pre-completed application forms to pension recipients. Applications for a guaranteed pension can also be made orally by telephone or at a branch office.

Opportunities for attending to Kela business online were expanded during the year. More and more Kela customers manage their transactions on the Internet. The number of online transactions requiring registration increased from 4.8 million in 2009 to 6.5 million in 2010. A total of 13.9 million visits were made to the kela.fi website in 2010.

### **Parliamentary 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. The management and development of Kela's operations is the responsibility of a ten-member board of directors.

### **Mission and values**

Kela's mission statement:

- ▶ With you throughout life – supporting you through times of change

Kela's mission is to secure the income and promote the health of all Finns and to support the capacity of all citizens to care for themselves.

Kela operations are based on the following values:

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

## **KELA IN 2010**

According to the Survey on Public Administration Online Services 2010, commissioned by the Finnish Ministry of Finance, kela.fi was the most popular public sector administration online service.

Kela continued the development of its information systems during the year. The design and construction of OIWA, the customer service and benefit management system, continued and the system was put into pilot use in the Central Finland insurance district on 1 November 2010. The aim is to have all parts of Finland covered by the system by the end of 2011.

The Arkki project aimed at updating Kela's benefit systems, which started at the beginning of the year, involves the upgrading of the technology and functioning of all of Kela's 40 benefit information systems and the approximately 90 systems supporting them. The project also involves the updating of Kela's online transaction services. The aim is to develop Kela's services in a customer-oriented manner and to improve productivity by automating the processing of benefits. The project will last for more than ten years.

The customer panels allow the opinions of Kela's customers to be heard better than before. In customer panels, customers are involved in the development of such products as forms, decisions, and online services.

The Kyky project is a process-oriented project aimed at developing benefits connected with health and working and functional capacity. In the first stage of the project, the working capacity process and its interfaces with such parties as health care, employers, labour administration, social services, and providers of rehabilitation services were charted and described. The project also involved the development of a system in which the customers' processes and the processing of their matters in Kela are steered by service counsellors appointed for the task. The second stage of the project, which involves the development of the process for disabled persons and children suffering from illnesses or disabilities, was started at the end of the year. The aim is to develop a service model in which the everyday life of the customers is actively and comprehensively supported in cooperation with other actors.

The project involving direct reimbursement of taxi journeys began on 3 May 2010 with a pilot project in the Hospital District of Central Finland. Kela and the Finnish Taxi Owners' Federation have agreed that the electronic system of direct reimbursements will be introduced gradually by the year 2013. Taxi journeys reimbursed by Kela will be ordered from a single service number in each hospital district. As a result, taxi journeys can be combined which helps to slow down the increase in travel costs.

Interpretation services for the disabled became the responsibility of Kela as of 1 September 2010. During the year under review, interpreters and interpretation agencies were selected using competitive tendering, the information was transferred from municipalities to Kela's system, and customers were provided with extensive information about the change. Apart from certain technical problems, the changeover went well.

Kela updated the standards guiding the services and contents of the medical rehabilitation and personalised rehabilitation programmes of severely disabled persons. The standards governing the assessment of the need for vocational rehabilitation, rehabilitation examinations, work trials and job coaching, and job coaching for people suffering from mental problems undergoing rehabilitation were also updated. A number of development projects also involved

**KELA IN BRIEF**

	2010	2009	2008	2007	2006
Overall expenditures, EUR billion	12,6	12,2	11,5	10,9	10,8
Benefit expenditures, EUR billion	12,2	11,8	11,1	10,5	10,5
Administrative expenses, % of overall expenditures	3,4	3,5	3,2	3,2	3,3
Benefit expenditures (% of GDP)	6,7*	6,9*	6,0*	5,9	6,3
Benefit expenditures (% of social expenditures)	22,1*	22,5	22,9	23,1	23,9
Benefit expenditures per insured person (EUR/annum)		2 202	2 087	1 984	1 984
Personnel 31 December	6 092	6 042	5 864	5 756	5 973

\*Estimate the carrying out and development of rehabilitation activities.

A majority of the Finnish population received Kela benefits last year. Kela's overall expenditures amounted to EUR 12.6 billion, which was 3.0% more than in the previous year. Benefit expenditures accounted for EUR 12.2 billion of the overall total. Administrative expenses accounted for 3.4% of the overall expenditures. A total of 67% of Kela's funding came from the Government, 28% from insurance contributions, and 5% from municipal contributions.

Kela has set time limits for processing the applications submitted to it. The time limits are benefit-specific, and the performance is monitored by examining average benefit processing times and the percentage of decisions made after the time limits. On average, Kela managed to adhere to the processing time targets fairly well during 2010.

The retirement of Matti Puhakka on 1 March 2010 meant that the number of Kela's directors was reduced to three. The decision of the board of directors revising the division of labour between the Ddirectors entered into force on the same date. Director-General Jorma Huuhtanen retired on 1 October 2010. On the proposal of Kela's trustees, the president of the republic appointed Liisa Hyssälä, the Minister of Social Affairs and Health, as the new director-general on 21 May 2010. Hyssälä, who holds a doctoral degree in dental science and a master's degree in social sciences, started in her new job on 1 October 2010. On 17 June, Kela's board of directors appointed Liisa Hyssälä as Kela's director for the period 1 August – 30 September 2010, which means that she started in Kela already on 1 August 2010. During the ensuing two-month period, Director Helena Pesola acted as the deputy for the director-general.

## BENEFITS PAID BY KELA

### All benefits

Kela's benefit expenditures totalled EUR 12.2 billion, which was 3.1% more than in the previous year. There were 71 million payments made, of which 26 million were made through pharmacies.

Pension security benefit payments increased by 1.3% and health insurance benefits by 2.2% over 2009. Other social security payments increased by 5.4%.

### BENEFITS PAID BY KELA

	2010 EUR million €	2009 EUR € million	Change (%)
Pension benefits	2 494,8	2 561,3	-2,6
Benefits for the disabled	508,9	418,4	21,6
Health insurance benefits	3 928,4	3 842,2	2,2
Rehabilitation	310,5	305,4	1,7
Unemployment security benefits	1 096,8	974,6	12,5
Benefits for families with children <sup>1</sup>	1 990,7	1 945,1	2,3
Student benefits	845,3	833,3	1,4
Pensioners' housing allowance	393,3	370,1	6,3
General housing allowance	530,1	482,1	10,0
Other benefits	53,1	53,4	-0,7
<b>Total benefits</b>	<b>12 151,9</b>	<b>11 785,9</b>	<b>3,1</b>

<sup>1</sup> Daily parental allowance is included in the health insurance benefits.

### Pension and disability benefits

In 2010, Kela paid EUR 2,495 million in pension benefits, which represents a decrease of EUR 66.5 million (2.6%) over the previous year. A total of EUR 509 million was paid in disability benefits, which was EUR 90.5 million (21.6%) more than in the previous year. Disability benefit expenditures increased as a result of a legislative amendment under which disability benefits are now also paid to those who are treated in a public-sector treatment facility for a period of more than three months. No index increases were made to pension and disability benefits in 2010.

At the end of the year, recipients of Kela's pension benefits totalled 723,000, which was 1.7% less than a year before. The number of recipients of early and deferred old-age pensions increased by 8.4% and 14.3%, respectively. Proportionally, the largest decreases were in the number of recipients of unemployment pensions (16.5%) and front veterans' supplements (12.7%). There were 89,000 full national pension recipients (a decrease of 1.4%).

### PENSION BENEFITS

Benefits paid	2010 EUR€	2009 EUR million€	Change (%)
Total	2 494,8	2 561,3	-2,6
National pensions	2 398,3	2 455,0	-2,3
Old age pensions	1 610,8	1 662,5	-3,1
Disability pensions	738,7	738,5	0,0
Unemployment pensions	48,8	53,9	-9,4
Survivors' pensions	35,3	36,4	-3,0
Child increases	5,6	5,6	-0,7
Front veterans supplements	30,5	34,8	-12,4
Additional front veterans supplements	25,1	29,5	-14,9
<b>Number of persons receiving benefits</b>	<b>31.12.2010</b>	31.12.2009	Change (%)
All benefits	722 600	735 100	-1,7
Recipients of national pension	668 700	677 200	-1,3
Recipients of old age pension	482 700	485 000	-0,5
Recipients of disability pension	165 700	167 900	-1,3
Recipients of unemployment pension	20 300	24 300	-16,5
Recipients of survivor's pension	28 000	29 100	-3,9
Recipients of child increase	13 300	13 500	-1,9
Recipients of front veterans supplement	51 800	59 400	-12,7
<b>Structure of national pensions</b>	<b>31.12.2010</b>	31.12.2009	Change (%)
Recipients of national pension with			
full pension	89 000	90 200	-1,4
reduced pension	579 700	587 000	-1,3

The number of persons receiving disability benefits at the end of 2010 was 296,000. The number increased by 27,800 (10.4%) during the year. The number of persons receiving pensioners' care allowance increased (13.6%), while at the same time, there was a slight decrease in the number of adults receiving disability allowance. As of 1 September, a disability supplement for war veterans has been paid to those receiving the middle or highest rate of pensioners' care allowance and additional front veterans' supplement. At the end of the year, recipients of the disability supplement for war veterans totalled 8,100.



*Parental allowance was paid to 193,600 mothers and 56,400 fathers.*

## DISABILITY BENEFITS

Benefits paid	2010 EUR Million €	2009 EUR Million €	Change (%)
Total	508,9	418,4	21,6
Child disability benefits	69,7	69,9	-0,3
Adult disability benefits	31,1	31,6	-1,6
Pensioners' care allowances	400,8	310,0	29,3
Diet allowance compensations	7,2	6,9	5,0

Number of persons receiving benefits	31.12.2010		Change %
All benefits	296 300	268 500	10,4
Child disability benefits	33 300	33 200	0,1
Adult disability benefits	10 400	10 800	-3,6
Pensioners' care allowances	225 900	198 900	13,6
Diet allowance compensations	29 000	27 600	5,0

In 2010, Kela received 157,000 applications for pension benefits (an increase of 7.0%). Of these applications, 39,000 (25.0%) were submitted from abroad on the basis of an EU regulation or social security conventions. A total of 144,000 decisions were made, with 98,000 made by Kela's branch offices and 46,000 by the central administration. Of the decisions, 114,000 were made on applications submitted in Finland and 31,000 submitted from abroad.

In 2010, Kela received 134,000 applications for disability benefits (an increase of 17.8%). Decisions were made on 130,000 applications.

The average national pension at the end of the year was EUR 293 a month. A full national pension for single persons was EUR 584 and for persons in a partnership EUR 518 a month.

## Health insurance benefits

Health insurance benefit expenditures increased by EUR 86 million (2.2%) over the previous year. Kela paid out EUR 3,928 million in benefits. A total of 4,221,000 people received health insurance benefits (an increase of 0.8%).

Of the 658,000 applications for sickness allowance received in 2010, 12.2% had been made online. Kela made a total of 652,000 decisions concerning sickness allowance, which was 2.0% fewer than in the previous year. A total of 34,000 of the decisions (a decrease of 3.1%) were made in employee sickness funds.

As a result of a legislative amendment, the number of decisions on partial sickness allowances more than doubled

## HEALTH INSURANCE REIMBURSEMENTS

	2010 EUR Million €	2009 EUR Million	Change %
Total	3 928,4	3 842,2	2,2
Daily health insurance allowance	1 848,9	1 778,1	4,0
Daily sickness allowance <sup>1</sup>	813,4	799,3	1,8
Partial daily sickness allowance	7,2	3,5	107,6
Daily self-employment sickness allowance	5,1	5,3	-3,4
Daily parental allowance <sup>2</sup>	1 022,7	969,6	5,5
Medical expense reimbursement	1 742,2	1 747,8	-0,3
Medicinal products <sup>3</sup>	1 225,5	1 244,7	-1,6
Basic reimbursement	377,5	402,7	-6,3
Special reimbursement	709,1	701,1	1,1
Lower reimbursement	210,1	230,6	-8,9
Higher reimbursement	499,0	470,5	6,0
Supplementary reimbursement <sup>4</sup>	138,4	140,7	-1,6
Private physicians' fees	73,4	73,6	-0,4
Private dentists' fees	120,5	124,9	-3,5
Private examination and treatment	72,2	70,3	2,7
Travel and patient transportation <sup>5</sup>	250,7	234,3	7,0
Other benefits	331,8	309,0	7,4

<sup>1</sup> Includes daily sickness allowance payments to the Farmers' Social Insurance

Institution (Mela), daily allowance and loss-of-earnings compensations paid in accordance with the Act on Communicable Diseases and daily allowance paid to organs or tissue donors.

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

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

<sup>4</sup> In 2008, the maximum personal liability for medicinal products was EUR 643.14.

<sup>5</sup> Includes additional reimbursements for travel. In 2008, the maximum personal liability for travel was EUR 157.25.

from the previous year. The decisions totalled 7,300.

Parental allowance was paid to 103,600 mothers and 56,400 fathers. The payments totalled EUR 957.5 million (an increase of 5.2%). Reimbursement for parental allowance was provided for 16.7 million days (fathers accounted for 7.1% of this total). There was a further increase in the number of recipients of paternity month benefits. In 2010, a total of 12,300 fathers (an increase of 13.5%) claimed their right to extended paternity allowance (paternity month). Of

## BENEFITS PAID BY KELA

### RECIPIENTS OF HEALTH INSURANCE REIMBURSEMENTS

	2010	2009	Change -%
<b>Total</b>	<b>4 220 500</b>	<b>4 186 800</b>	<b>0,8</b>
Daily sickness allowance <sup>1</sup>	318 000	326 600	-2,6
Partial daily sickness allowance <sup>1</sup>	4 700	2 200	117,3
Daily self-employment sickness allowance <sup>1</sup>	16 200	17 000	-4,5
Daily parental allowance	160 000	156 800	2,0
Medical expense reimbursement	4 170 400	4 137 000	0,8
Medicinal products	3 801 200	3 756 400	1,2
Basic reimbursement	3 705 800	3 660 000	1,3
Special reimbursement	1 151 900	1 139 800	1,1
Lower reimbursement	851 700	850 300	0,2
Higher reimbursement	535 800	516 100	3,8
Supplementary reimbursement	147 000	169 300	-13,2
Private physicians' fees	1 603 500	1 613 300	-0,6
Private dentists' fees	1 039 200	1 049 300	-1,0
Private examination and treatment	1 064 600	971 200	9,6
Travel and patient transportation	669 400	666 300	0,5

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

these, 6,900 fathers took a 'transferred paternity month'. The paternity month was extended by two weeks in 2010. The paternity month covers the last 12 weekdays of the parental allowance period plus 1-24 paternity allowance days. The paternity month can be taken within 180 days from the end of the parental allowance period.

In 2010, EUR 61.6 million was paid in annual leave compensations (an increase of 10.2%) to the employers of 25,900 persons. The amount of compensation paid has increased since 2007. Since that year, the annual leave compensation has covered both the gross pay received by the employees for the annual leave period and the average statutory social insurance contributions.

Sickness allowance payments increased by 2.2%. A total of EUR 5.1 million (a decrease of 3.4%) in sickness allowance was paid to 16,000 persons insured under the Self-employed Persons Pensions Act (YEL).

An amendment concerning the partial sickness allowance entered into force on 1 January 2010. Under the

amendment, the payment of a partial sickness allowance does not need to be immediately preceded by a period of 60 sickness allowance payments, as the partial sickness allowance can be paid immediately after the end of the waiting period. The number of persons receiving partial sickness allowance increased from 2,200 in 2009 to 4,700 in 2010. Partial sickness allowance payments totalled EUR 7.2 million (an increase of EUR 3.7 million). The average partial sickness allowance was EUR 32.

The average sickness allowance was EUR 53, and the average parental allowance was EUR 57.

In 27,000 (8.1% of the total) of the sickness allowance periods that began in 2010, the daily compensation was at or below the minimum level. In 8,000 of them (2.5% of all periods), the minimum daily compensation had been determined by the preceding benefit. The minimum parental allowance was paid to 15,800 mothers (15.3% of the mothers receiving parental allowance). This total does not include those receiving the minimum parental allowance due to employment.

The decisions on reimbursements for medical expenses totalled 10.3 million, out of which 0.4 million were paid by employee sickness funds. Reimbursements for medical expenses totalled EUR 1.7 billion, which is about the same as the previous year's levels (a decrease of 0.3%). Out of all reimbursements for medical expenses, the reimbursements for medicinal products decreased by 1.5%

The number of persons receiving basic reimbursements for medicinal products increased by 1.3% and those receiving special reimbursements by 1.1%. The number of persons receiving supplementary reimbursements for medicinal products decreased by 13.2%. Reimbursements for dose-dispensing costs were paid to 9,000 persons (an increase of 3,000 persons over the previous year) for a total of EUR 388,000.

Reimbursements for dental care totalled EUR 120.5 million (EUR 113.1 million for dentists' fees and EUR 7.4 million for oral hygienists' fees). Treatment given by oral hygienists based on a referral given by a dentist working in a private health-care facility has been reimbursable since 1 January 2010. Reimbursements for dental care were paid to 1,039,000 persons. Of these, 1,013,000 received reimbursements for dentists' fees (a decrease of 3%) and 189,000 for oral hygienists' fees.

Reimbursements for physicians' fees totalled EUR 73.4

million, which was more or less the same as in the previous year. The number of recipients decreased by 10,000. In 2010, the recipients of reimbursements for physicians' fees totalled 1,604,000. Reimbursements for examination and treatment costs increased by 2.7%, and the number of reimbursement recipients increased by 9.6%. Reimbursements for travel costs increased by 7.0%, and the number of recipients increased by 0.5%.

EUR 278 million in reimbursements were paid to employers for occupational health care expenses (an increase of 10.8%). According to Kela reimbursement data, approximately 1.8 million employees were covered by occupational health care. Reimbursements for occupational health care paid to entrepreneurs and other self-employed people totalled EUR 3.1 million. Reimbursements paid to the Student Health Foundation amounted to EUR 21.8 million.

### Rehabilitation benefits

Kela's rehabilitation expenditures amounted to EUR 310 million, which was 1.7% more than in the previous year. Individual rehabilitation costs totalled EUR 305 million, of which EUR 237 million was spent on rehabilitation and EUR 68 million on rehabilitation allowance.

A total of 83,700 persons made use of Kela's rehabilitation services (a decrease of 0.1%). One-third of them were new rehabilitees. A total of 52,400 persons received a Kela rehabilitation allowance as income security (a decrease of 3.6%). Of these, 70% took part in rehabilitation organised by Kela. Rehabilitation allowance was provided for an average of 42 days, and the average sum paid for each rehabilitee was EUR 31.

More than half of the rehabilitation allowance paid to the rehabilitees is discretionary. A total of 51,900 persons took part in rehabilitation. Vocational rehabilitation was provided for 13,000 people with reduced functional capacity, and medical rehabilitation was provided for 20,800 severely disabled persons.

A total of 15,800 persons were provided with discretionary psychotherapy, which was 7.2% more than in the previous year.

Of all rehabilitees, 71% were in working life. The average age of rehabilitees was 45 years.

### Unemployment security benefits

Unemployment security benefits paid by Kela increased by 12.5%, totalling EUR 1,097 million. Of this amount, EUR 850 million was paid as labour market subsidies (an increase of 11.6%) and EUR 184 million in basic daily allowances (an increase of 10.4%).

Unemployment security benefits were paid to 268,800 persons, with an average 145 days per beneficiary. The basic daily allowance was received by 65,200 people (an increase of 2.0%) and a labour market subsidy was received by 198,700 people (an increase of 8.0%). Labour market training support was paid to 2,500 people (a decrease of 65.9%) and a labour market integration allowance was paid to 15,500 immigrants (an increase of 7.7%).

Of those receiving labour market subsidy, 84,300 (42.5%) took part in different types of active measures during the year, such as training, workplace coaching, or rehabilitative work. Since 2010, the basic daily allowance has also been payable for the duration of such measures. During the first year, 12,800 recipients of the basic daily allowance (19.7% of the total) took part in such measures. At the same time, 14,000 (90.5%) of the integration allowance recipients received the benefit for the duration of the measures. A total of 32.8% of the labour market subsidy benefits and basic daily allowances were paid for the duration of these measures.

The average basic daily allowance was EUR 27.20 and the average labour market subsidy was EUR 27.70. During the year, the adjusted daily allowance was paid to 14,100 recipients of the basic daily allowance and 23,800 recipients of the labour market subsidy. Means testing applied in connection with the labour market subsidy cut the subsidies of 15,100 recipients, while a total of 18,600 unemployed persons received a partial labour market subsidy.

A total of 45,500 recipients of the basic daily allowance, labour market subsidy, and integration allowance took part in labour market training. A total of 5,500 persons received Kela's unemployment security benefits for the duration of self-motivated studies, while labour market training support was paid to 2,500 persons. A total of EUR 62 million in training benefits was paid.

A total of 885,900 decisions concerning unemployment security benefits were made during the year (an increase of 8.6%). New decisions totalled 223,600.

### Benefits for families with children

Kela paid a total of EUR 163.3 million in child maintenance allowance. In December, the number of families and children receiving child maintenance allowance totalled 66,400 and 97,800, respectively. The number of children receiving child maintenance allowance increased by 2.0% from the previous year. During the year, Kela recovered a total of EUR 68.2 million in child support payments from those liable to provide child support.

The sum spent on child daycare allowance increased by 4.1% from the beginning of the year. A total of EUR 444.1 million was paid in child daycare allowance, with municipal supplements accounting for EUR 91.5 million of this total. When municipal supplements are included, child home care allowance payments totalled EUR 357.1 million (an increase of 2.3%) and private daycare allowance payments totalled EUR 75.5 million (an increase of 8.9%). Partial care allowance payments totalled EUR 11.5 million (an increase of 37.6%). Partial care allowance paid each month was increased from EUR 70 to EUR 90 at the start of the year.

Home care allowance was paid to 117,800 families for 178,800 children. There were 20,700 recipients of private daycare allowance and 19,800 recipients of partial care allowance.

Maternity grants totalled EUR 11.1 million. Of this amount, EUR 0.6 million were adoption grants to offset the costs of international adoptions. Maternity grants and adoption grants were paid to 60,200 and 148 families, respectively.

Family allowance payments totalled EUR 1,433.1 million (a decrease of 0.3%). In December, 561,500 families received a family allowance (a decrease of 0.2% from December of the previous year). Of the families, 97,500 received a family allowance with a single parent supplement. Family allowance was paid for 1,014,900 children, with 151,700 of them receiving a family allowance increase.

### Student benefits

Student benefits amounted to EUR 845 million (an increase of 1.4%), of which study grants accounted for EUR 510 million and housing supplements for EUR 274 million. Interest assistance paid on the basis of low income totalled EUR 0.5 million, and a total of EUR 25 million was paid in meal sub-

sidies for students in institutions of higher education. A total of EUR 21.8 million was paid to banks as guarantees on the basis of government guarantees covering study loans, and a total of EUR 22 million of outstanding study loan guarantees was recovered.

During the 2009/2010 academic year, 304,600 students received financial aid, which was 4.7% more than in the previous academic year. Study grants were paid to 299,000 and housing supplements to 194,600 students. A total of 117,000 students received government guarantees for their study loans.

At the end of the year, student loans totalled EUR 1.4 billion (an increase of 2.0%). A total of 287,300 persons had outstanding student debt. A total of 92,600 students took out student loans in the period July – December.

A total of 426,100 decisions were made on student financial aid applications, 226,400 of which were processed at Kela's branch offices (an increase of 2.0%), 76,300 at the Kela Student Financial Aid Centre (a decrease of 11.4%), and 123,400 at university and polytechnic financial aid offices (an increase of 0.8%).

A total of EUR 39 million in school transport subsidies was paid (an increase of 4.5%). Matkahuolto Ltd invoicing accounted for 72% of the costs. During the 2009/2010 academic year, 51,700 students received school transport subsidies.

### Pensioners' housing allowance

Pensioners' housing allowance payments totalled EUR 393 million, which was 6.3% more than in the previous year. At the end of the year, the recipients totalled 179,300. Their numbers are increasing steadily. The number of people living in sheltered housing continued to increase. They totalled 23,400 and accounted for 14.5% of all recipients of support living in rental dwellings. Of the allowances paid, EUR 45 million went to recipients living in sheltered housing. The average sum paid to pensioners as housing allowance was EUR 180, and the income determining the amount was EUR 951. Monthly housing costs averaged EUR 393. Only a quarter of the recipients had housing costs exceeding the maximum amount.

Almost 171,300 decisions on pensioners' housing allowance were made. A total of 175,900 applications were received and 3.3% of them were submitted online.



*Almost 70% of all families receiving general housing allowance were single-parent families.*

### General housing allowance

A total of EUR 530 million was paid in general housing allowances, which was nearly 10% more than in the previous year. At the end of the year, households receiving this type of support totalled 164,200, an increase of slightly more than 1%. Of the households, 62.9% had no employed members. The proportion of families with children has decreased and now stands at 35.8%. Of the families with children, almost 70% were single-parent families. Almost half of the housing allowance payments went to families with children. Single-person households accounted for 56.7% of the total. At the end of the year, the average allowance paid was EUR 259, while the average monthly income of the recipients was EUR 741. A total of 22,600 households (13.8% of the total) had no income that could be considered in the payment of housing allowance. Monthly housing costs amounted to EUR 505 and half of the households living in rental dwellings had housing costs exceeding the maximum rent per square metre. The percentage of households with housing costs exceeding the maximum decreased by 6 percentage points from the previous year.

During the year, Kela made 448,700 decisions on applications for the general housing allowance, also taking into consideration decisions concerning discontinuation of benefits. The number of applications received continued to increase, totalling 461,500. Of the applications, 18.2% were made online.

In 2010, Kela paid a total of EUR 1,215 billion in housing allowances. This figure includes the housing supplement paid to recipients of student financial aid and the housing assistance paid to recipients of a conscript's allowance. At the end of the year, almost 500,000 families with 661,300 persons were receiving a housing allowance. This was 12.3% of the total Finnish population.

### Other benefits

EUR 18.4 million in conscripts' allowances was paid. EUR 16.8 million of this sum went to housing assistance. The costs resulting from conscripts' allowances decreased by 3.0% from the previous year. A total of 12,600 households received a conscript's allowance. With family members included, the allowance covered a total of 15,200 persons. Of those receiving the allowance, 11,300 were doing military service, 900 were doing non-military service, and

740 were relatives. The average conscript's allowance was EUR 295 per month.

Compensation for the rehabilitation travel expenses of front veterans came to EUR 0.7 million. Studies on farmers' working conditions were funded to a total of EUR 1.2 million, and the expenses of the National Centre for Agricultural Health, which operates under the Finnish Institute of Occupational Health, totalled EUR 0.3 million.

A total of EUR 24 million was paid in special assistance for immigrants (an increase of 1.1%). At the end of the year, 5,800 persons were covered. The average payments were EUR 336 per month.

Pension assistance for the long-term unemployed was discontinued at the end of 2009. A total of EUR 39,000 was paid retroactively.

Responsibility for the interpretation services for the disabled was transferred from municipalities to Kela in September. There were 4,500 recipients of interpretation services at the end of the year.

alusta. Tukea maksettiin takautuvasti 39 000 euroa.

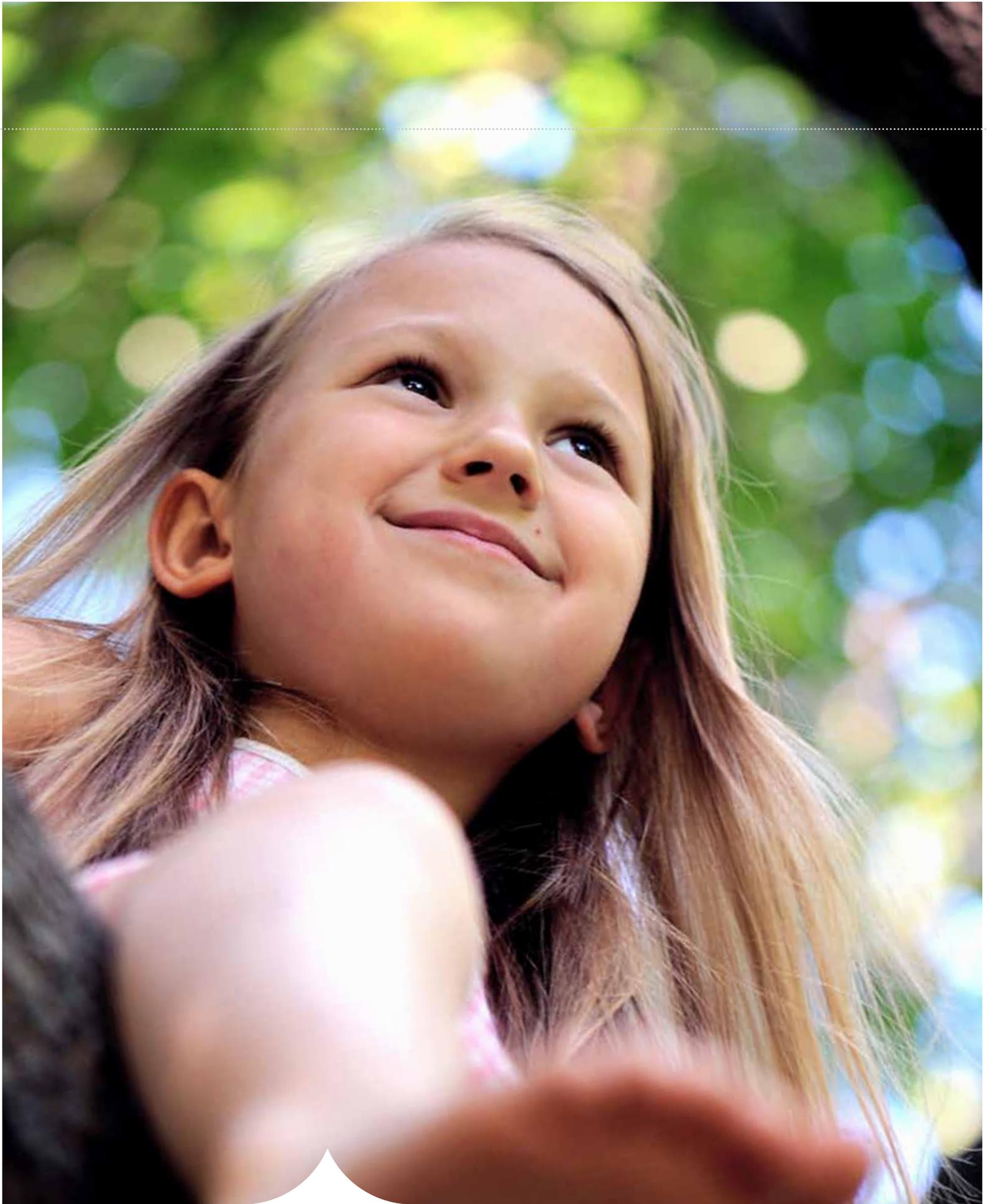
Vammaisten henkilöiden tulkkauspalvelut siirtyivät kunnilta Kelan hoidettavaksi syyskuussa. Vuoden lopussa tulkkauspalvelujen saajia oli 4 500.

### Recovery

The total amount of benefits claimed for recovery (including those recovered on the basis of the evaluated financial situation related to student financial aid) was EUR 127.8 million at the end of the year (a decrease of 2.7%). The amount of outstanding student loan guarantees for recovery was EUR 171 million at year-end (a decrease of 1.6%).

## OTHER BENEFITS

	2010 EUR € million e	2009 Eur€ million e	Change %
Rehabilitation	310,5	305,5	1,7
Rehabilitation services	242,7	240,4	1,0
Rehabilitation allowance	67,8	65,1	4,2
Unemployment security benefits <sup>1</sup>	1 096,2	973,9	12,6
Basic daily allowance	204,8	165,8	23,6
Labour market subsidy	791,2	710,1	11,4
Labour market integration allowance	90,7	74,1	22,5
Labour market training support	9,0	20,7	-56,4
Daily training allowance	0,2	2,9	-92,9
Maternity grants	11,1	11,1	0,0
Family allowances	1 433,1	1 436,9	-0,3
Child daycare allowance	444,1	426,8	4,1
Statutory allowance	352,6	343,3	2,7
Municipal supplements	91,5	83,4	9,7
Child maintenance allowance	163,3	114,6	42,5
Pensioners' housing allowance	393,3	370,1	6,3
General housing allowance	530,1	482,1	9,9
Student benefits	845,3	833,3	1,4
Conscript allowance 18	18,4	18,9	-2,5
Special assistance for im-migrants	24,2	23,9	1,1
Interpretation services for the disabled	6,6	.	.
Other	0,7	5,4	-86,4



*Family allowance was paid for 1,014,900 children.*

## OTHER KELA OPERATIONS

### Customer service and the service network

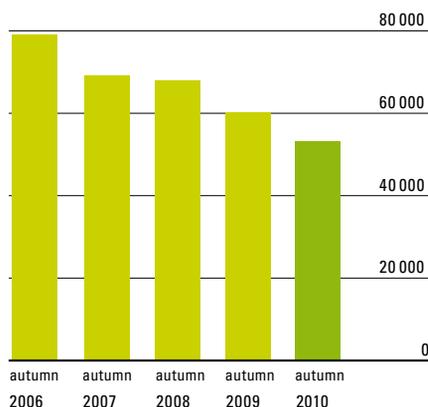
At the end of the year under review, Kela's service network comprised 232 branch offices and 3 sub-offices. The service network is supplemented by joint service points providing services of different authorities. Joint service points help to ensure that services remain within reasonable distance when, for example, municipalities merge. Growth centres have also benefited from the range of services available at joint service points. During the year under review, service points providing Kela services were established in such localities as Espoo and Vantaa. Kela has actively worked to develop the system of joint service points. At the end of the year, there were a total of 115 service points that had entered into a joint service agreement with Kela.

There has been a substantial decrease in the number of transactions carried out at Kela's branch offices. The Customer Contact Centre received a total of 1.9 million calls. The number of online transactions requiring registration increased from 4.8 million in 2009 to 6.5 million in 2010. Kela introduced a reservation system in November 2010. Service counsellors may provide an office appointment if the matter requires it. Customers contacting the telephone service may also be told that they may make an appointment. The service will later be extended so that customers can make their own reservations on the Internet.

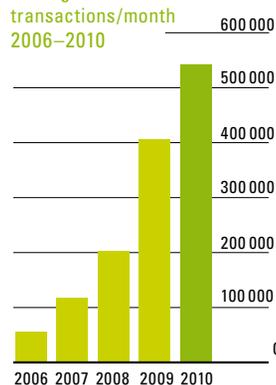
According to a survey conducted on customers visiting Kela's branch offices (16,813 respondents), the service received at the office was generally deemed to be a pleasant experience. Nearly all respondents (97%) felt that the service they received was friendly. On a scale of 4 to 10, the respondents gave Kela an overall grade of 8.9. This was the same as in 2009. Most customers (89%) were happy with the offices' opening hours, while many (82%) were satisfied with the waiting times. 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. Customer perceptions of office service improved following transactions. Prior to transactions, 82% of the customers had a positive perception of the respective office's service; following transactions, that figure jumped to 93%.

In a telephone questionnaire survey carried out in August (1,000 respondents), citizens gave Kela's services an overall grade of 7.7, which was slightly better than in 2009 (7.6). Kela did reasonably well compared with other public sector organisations, but lagged behind companies providing private services.

**OFFICE TRANSACTIONS**  
NUMBER OF CUSTOMERS EACH WEEK  
2006–2010

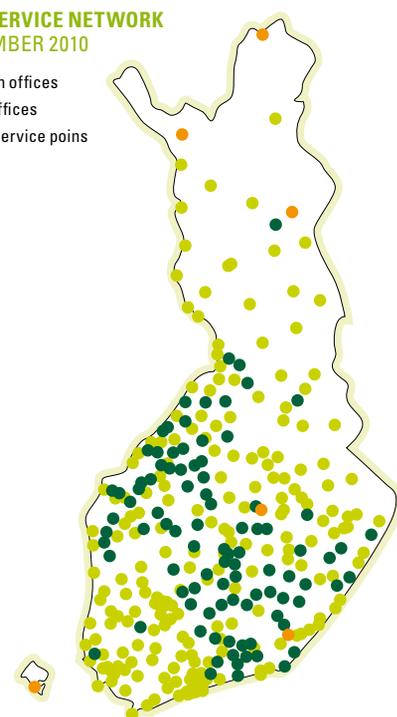


**ONLINE TRANSACTIONS REQUIRING REGISTRATION**  
Average number of transactions/month  
2006–2010



**KELA'S SERVICE NETWORK**  
31 DECEMBER 2010

- Branch offices
- Sub-offices
- Joint service points



## OTHER KELA OPERATIONS

The branch offices and online services received the highest grades (both scored 8.1). The respondents were slightly more dissatisfied with the telephone service (7.8) and the joint service points (7.4).

Of all respondents, 56% felt that the decisions and letters submitted by Kela are clearly written.

Some 80% of the respondents had a very great degree or a fairly great degree of trust in Kela. (This examination also includes those responding 'cannot say'). Only the police and the Finnish Defence Forces generated more trust. A total of eight institutions received lower marks than Kela.

### Personnel and training

At the end of the year under review, Kela had a staff of 6,092, of whom 495 were fixed-term employees. The number of employees was 50 higher than the year before. A total of 222 persons retired during the year, which was more than ever. A total of 331 persons left Kela during the year, while the number of new employees was 341. The average age of the Kela employees was 46 years, and the average duration of service was 15 years. Of the staff, 84% were women and 16% were men.

Higher staff turnover led to more recruiting. During the year, there were a total of 438 vacancies in Kela, of which 196 were filled using internal arrangements. In order to support new recruiting, Kela improved its employer image by, for example, introducing a new visual image for its job advertising and by attending recruiting events. The Swedish-language version of the recruiting application was introduced at the start of the year. There was more awareness of Kela as an employer, and a total of 22,413 persons applied for job vacancies during the year.

Kela and its employee association (Kelan toimihenkilöt r.y.) concluded a collective agreement for the period 1 February 2010 – 31 December 2011. The management of Kela's employment-based pensions will become the responsibility of Keva on 1 January 2012. Kela will remain responsible for the funding of employment-based pensions, investment of the pension assets, services connected with workplace well-being, and the forecasting of pension expenditures.

### PERSONNEL FIGURES

Number	2010	2009
<b>Total personnel</b>	6 092	6 042
Full-time	5 028	4 971
Part-time	1 064	1 071
<b>Permanent personnel</b>	5 597	5 594
Full-time	4 591	4 579
Part-time	1 006	1 015
<b>Permanent personnel</b>		
Local administration	3 879	3 884
Central administration	1 297	1 278
Regional administration	421	432
<b>Permanent personnel</b>	<b>2010</b>	<b>2009</b>
Average age	47	47
Sick days index	5,0	4,5
Employees leaving Kela	331	303
New Kela employees	341	411
Retirement age	62,7	62,8
Employees retiring on old-age pension	187	171
Employees retiring on disability pension	35	33

During the year, Kela organised a total of 804 training events, which were attended by 20,310 persons. Training days totalled 22,583, and the focus was on training for benefit matters. Training in benefit and service matters was provided as contact training and online courses. In a new approach, online courses intended for service counsellors were introduced during the year. They provide participants with information about legislative and system changes. The aim is to ensure that the service counsellors possess enough expertise when customers contact them for the first time. More stakeholder training was provided than in previous years. An extranet site and a network school were opened for joint service points. Topical development and change projects and organisational changes were supported through training.

In the workplace well-being project, 'Perusasiat kuntoon!' (Focus on basic matters), which continued for a second year, the emphasis was on starting a discussion on matters influencing workplace well-being and on underlining each staff member's responsibility for workplace atmosphere and well-being. Three new parts were added to the online course, 'Minä työhyvinvoinnin tekijänä' ('Me as a generator of workplace well-being'). They cover work community skills, meaningful work, and age-related matters. The work on Kela's age programme, 'Kela-työssä kaikikäisenä' ('Kela for all ages') was also completed during the year. Consideration must be given to differences between staff members, while at the same time work must be organised in accordance with the special characters and life situations of people of different ages. Individuals are also supported in their development so that they can work together and so that as many employees as possible are able and willing to work in Kela on a long-term basis.

### Information technology

A comprehensive upgrading of the benefit information systems and information technology solutions supporting them has begun. The required technological architecture is in accordance with the central government architecture strategies. The piloting of the information system supporting benefit management and customer service started during the year under review.

Legislative amendments concerning a number of benefits were introduced during the year. The most important of them concerned amendments in EU provisions, disability supplement for war veterans, and changes to the parental allowance. The construction of the information system for the guaranteed pension was on schedule and the information system for the interpretation system for the disabled was put into use. During the year under review, Kela introduced the Single Euro Payments Area (SEPA) model in its benefit payments.

New online transaction services for citizens and different authorities were launched according to plan. Search services were introduced as part of unemployment security, reha-

bilitation allowance, and insurance. The number of customers using online transaction services increased by almost 50% compared with the previous year. The reservation service was put to Kela's internal use during the year and it will be made available to customers during 2011.

Electronic exchange of information as part of national and international co-operation projects and networking with different organisations continued to increase. The implementation of the EU's internal exchange system for social security information (EESSI) continued. Direct electronic reimbursement of taxi journeys in connection with Kela-paid compensation was incorporated into the system of electronic exchange of information in the Hospital District of Central Finland and in north Savo.

A total of almost 14 million visits were made to Kela's open Internet services during 2010, while online transactions requiring registrations totalled more than 6.5 million. The number of terminal service events and customer letters continued to increase. Terminal service events totalled about 2 billion, and a total of 17.5 million letters were sent to customers in a centralised manner.

The introduction of the national health archive (KanTa) began in Turku in May with the introduction of the electronic prescriptions (eResepti) and the service allowing citizens to examine their own services. The services and processes of the production activities of KanTa were also put into use at the same time. Technical guidelines and topical information about the services were published on the Kanta.fi website. The development and testing of the electronic patient information archive continued. This was because the implementation and introduction of the archive was revised as a result of legislative changes. The phased introduction of KanTa services is continuing, and they will be available nationwide by the year 2015.

Kela's services are produced using central computers and servers based on an open architecture. At the end of the year, there were about 500 servers. About 150 of them are virtual servers, and there are plans to increase their proportion of the total number of servers. The servers rely on Linux and Windows operating systems.

### Communications

In 2010, the most important topics in customer communications were the new transaction channels (online transactions and telephone service), changes in the service network (including the expansion of joint services), guaranteed pension, psychotherapy, direct reimbursement of taxi journeys, interpretation services for the disabled, unemployment security, and benefits for families with children.

The Kela.fi online site has been further improved by introducing new contents and by examining the workability of the pages through user surveys, usability tests, and analyses on user statistics. A data security audit on the site was also carried out. The results of the national online transaction survey were published in January. It involved 2,000 customers and Finland's 200 biggest companies and other corporations. Kela came in fourth in the overall table but was considered the best of the participating public-sector organisations. More than 90% of the large companies and corporations surveyed received lower marks. According to the Survey on Public Administration Online Services 2010, commissioned by the Finnish Ministry of Finance, kela.fi is Finland's most popular public administration online service. The development of Kelanet, Kela's intranet service, continued in a number of working groups. New guidelines were drawn up for Kela's work community communications.

For the first time, Kela tested social media as a channel for presenting its benefits when Kela-Kerttu answered questions submitted by families with children on the Suomi24 discussion forum. Google search-word marketing was tested in January – June. Social media rules provided Kela staff members with guidelines on the use of social media. A separate action plan on social media was drawn up for the year 2011.

The 'Lähtöruudussa' campaign targeting young people who have completed their studies but have not yet found

work was organised in spring. The campaign material was published on Kela's website and distributed to Employment and Economic Development offices and educational institutions. Kela's Communications Unit took part in the implementation of the campaign presenting Finland's social security system to Finns living on the Spanish Costa del Sol (in February) and in the planning and implementation of the provision of information on the EU regulation 883/2004 (in April – May). A week-long radio campaign in April marketed the application for unemployment security benefits online. As all customer service phone numbers are now operational, the telephone service was advertised in February in national and regional newspapers. Online transactions have also been promoted by organising thematic weeks at Kela's branch offices for unemployed persons, families with children, unemployed graduates, school leavers who do not find work immediately, and new students.

In addition to the brochures on basic security (12 brochures for different life situations), three shorter Kela info brochures were also published. A large number of leaflets providing information on Kela's services were also given out, both as reprints and revised versions. Kela also produced a new brochure on the European health care card, a brochure on the direct reimbursement of taxi journeys and a brochure for employers. An updated version of Kela's general brochure was published in August. For the first time, Kela published a series of brochures in plain Finnish, which were made in co-operation with the Plain Language Centre. Koti ja perhe (Home and Family) presents the benefits and housing support available to families with children. Terveys ja kuntoutus (Health and Rehabilitation) provides information about rehabilitation and disability benefits and compensations and daily allowances granted in connection with illnesses. Opiskelu ja työ (Study and Work) provides information about support available for students, unemployed, and conscripts. The Eläkkeelle (Upon Retirement) brochure

presents information about pension security, care allowance, and special assistance for immigrants. Muutto Suomeen tai Suomesta ulkomaille (Moving to Finland or Leaving Finland) provides information on how you can become eligible for benefits and support as part of Finland's social security program and what will happen if you move abroad. The brochures written in plain Finnish have received a great deal of positive feedback. In September, the Plain Language Centre gave Kela the 'Plain Finnish Award'.

The content structure, appearance and distribution arrangements of the social and health security magazine Sosiaalivakuutus were updated. The magazine now has social security decision-makers as its main target group. It was published four times during the year. Kela's customer magazine Elämässä – Mitt i allt, which is distributed to every Finnish household, was published three times, and the personnel magazine, Yhteispeli, was published six times.

The Communications Unit has been responsible for Kela's presence at seven fairs. In July, Kela took part in the SuomiAreena event in Pori for the first time. A panel discussion on mental health issues organised by Kela attracted a large audience. An event intended for the general public was held at Kela's branch office in Pori the same day.

Kela introduced a new visual appearance for its recruitment communications (recruitment ads, brochures, and exhibition material) in January. Kela's new recruiting ad received excellent marks in a perception survey. Kela took part in the virtual Työ2010 recruiting fair of Oikotie between 21 November and 4 December 2010.

The Communications Unit has consulted participants of the KanTa project concerning the provision of information on the first introduction of electronic prescriptions and, together with an advertising agency, prepared visual guidelines for the project.

Media communications were updated during the spring. Kela introduced a media phone service allowing reporters and journalists to contact a communications officer on weekdays between 9 am and 4 pm. A total of 368 contacts were made to the service during the year. A total of 274 press releases were produced during the year (175 in Finnish and 99 in Swedish). Regional press release layouts were also prepared for insurance districts. Five meetings with reporters and journalists and six regional press conferences were held. A tendering round concerning Kela's media monitoring was carried out at the start of the year. A media report is supplied to 236 recipients each weekday. These recipients include Kela's management, members of the board of directors, and the trustees. They also receive a weekly report on the social media. A publicity analysis based on the media monitoring is supplied quarterly.

### **Statistics and calculations**

The statistical information presented on Kela's Internet and intranet sites was supplemented in September by publishing a substantial portion (63 reports) of the information content of Kelasto, Kela's statistical database, on the Internet. A total of 23 new dynamic reports were entered in Kelasto during the year. They include new reports on benefit recipients, recovery, and the OIWA customer management system. Training events helped to increase the use of Kelasto.

Kela gave out a total of 12 printed statistical publications, and it also produced joint publications with the Finnish Centre for Pensions, the Financial Supervisory Authority, and the Finnish Medicines Agency. All printed statistical publications are also available on Kela's Internet website (at 'Statistics'). More thematic statistical overviews were published on the updated website during the year.

Calculations, forecasts, and different types of reports were produced for the development and implementation of

social security. The most extensive of them are connected with the preparation of legislation based on certain proposals of the Sata committee and the funding of Kela-managed social security. Developments in the Finnish economy were closely monitored. Kela provided ministries with the required actuarial calculations on Kela-managed social security, including those required by law. Kela's own operations were supported by producing performance forecasts and other calculations. A preliminary survey on the gauges used in day-to-day management was also prepared.

Consideration was also given to legislative changes when calculation systems were developed and updated.

A preliminary survey concerning the management of payments of employee sickness funds and the specification of the information system used were completed during the year. The information system was made operational and the grounds for administrative cost reimbursements were put on an accrual basis.

### Research and development

Kela's Research Department has focused its research on Kela's benefits and services and Kela's own activities. In 2010, access to Kela's services and challenging customer processes were studied. The year also saw the launch of a project examining the impacts of the cuts in Kela's office network. The experiences of both Kela's staff and customers will be studied. A study on the overlaps of income support and housing allowance, carried out in co-operation with the Ministry of Social Affairs and Health, was completed during the year. A multidisciplinary research project connected with the policy programme for the well-being of children, youth, and families, coordinated by the Ministry of Education and Culture, was completed during the year. The year saw the completion of a project on student financial aid systems and student mobility and employment in the Nordic

area. Basic security benefits, their adequacy and the grounds for granting them were examined in a number of publications.

In the research on health security, the development and distribution of the reimbursement of medicines and the reference price system for medicines were important topics of research. The taxi journeys reimbursed under health insurance were examined with a questionnaire directed at taxi operators. First regional results of pensioners' care allowance were received and the comparison of the prices for dental care services was started. Opinions on the reimbursability of medicines were submitted to the Pharmaceuticals Pricing Board and a research seminar on the medicine reimbursement system for medicine supply professionals was held. Rehabilitation research focused on such themes as the rehabilitation of severely disabled persons, good rehabilitation practices, special problems concerning rehabilitation benefits, sickness-based benefits for the young, suitability of service vouchers, views of health care professionals on family-oriented rehabilitation, and the results and cost-effectiveness of the rehabilitation of the aged in institutions.

International co-operation was expanded through research projects, international visits, lecture visits, and international networking (research projects in the EU). The Research Department took part in fairs and organised information spots, workshops and visits and seminars focusing on different themes of social and health security. Researchers gave presentations in the Finnish parliament, at events organised by non-governmental organisations, ministries, universities, seminars organised by research organisations, and international conferences (such as ISSA and EU).

As in previous years, the Department produced a large number of reports on its research findings and co-operated closely with stakeholder groups. The results of the research carried out by the department received publicity in discus-

sions on such issues as poverty, mental health, medicine costs, and basic security. Online publishing was strengthened and the Research Department opened a blog on Kela's website ([www.kela.fi/tutkimusblogi](http://www.kela.fi/tutkimusblogi)) in which researchers discussed topical issues and encouraged discussion on new themes. The online service was also extended to Twitter where users could follow Kela's research activities.

### **Information Service**

The Information Service acts as the support service for Kela's expertise and information provision. Personnel were provided with library services and information material. Electronic collections were expanded by acquiring large amounts of material covering a broad range of issues. Independent use of the material was promoted through a multi-search system and by providing customers with instructions and training in how to search for information. The quality of the library collections was improved with a material project and by preparing a collection policy for the Information Service.

External customers were provided with loan and copying services. Other libraries were provided with distance loans.

The Information Service participated in library co-operation at the national level in the Council of Special Libraries and the special library working group of the Finnish Research Library Association.

### **International co-operation**

The new social security coordination regulations of the EU (883/2004 and 987/2009) entered into force on 1 May 2010. Kela made preparations for the new regulations by providing training and extensive information about their content, both internally and externally.

Kela was closely involved in the preparation for electronic exchange of information of the social security coordination

regulation in both the EU and in the work coordinated by the Finnish Ministry of Social Affairs and Health. Kela assumed responsibility for the coordination of Finland's EESSI projects (Esikko project) at the start of the year.

Kela also discussed a number of joint arrangements concerning the implementation of international social security legislation with institutions in other Nordic Countries. During the year under review, Kela participated in work on boundaries restricting mobility under the Nordic Council of Ministers by participating in the maintenance of the Nordic social security portal, among others. Kela also took part in the deliberations of a working group appointed by the Nordic Council of Ministers, which prepared a proposal for a new Nordic social security agreement. Kela has also been in charge of the working group preparing the agreement on implementing the Nordic social security agreement.

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 WHO and RI. Co-operation involves conferences, co-operative meetings, joint research, development projects, and adviser exchanges.

Kela is actively involved in Nordic co-operation on such traditional forums as the Nordic social insurance meeting, held every four years, and the annual meeting of the directors-general. There is also a large amount of Nordic co-operation at the expert level and co-operation involving certain Nordic Countries (such as the North Calotte conference between Finland, Sweden, and Norway).



*Citizens gave Kela's services an overall grade of 7.7.*

### *Report by the Board of Directors 2010*

#### **General**

The year 2010 was the last year of the term of the board of directors that began on 1 January 2008. The representative of the Ministry of Social Affairs and Health changed on 1 March 2010, when Tarmo Pukkila was replaced by Raimo Ikonen.

The board of directors met 13 times during the year. The board also held a strategy seminar in which the focus was on process management and the manner in which it impacts Kela's operations. The director-general has provided board meetings with detailed reports of topical events, which have also covered the monitoring of the progress of the 2010-2013 operational and financial plan. The board also held two in-depth evening training sessions. The board visited the Lapland insurance district to familiarise itself with the Kemijärvi unit of the Customer Contact Centre and the operations of the telephone service.

The board approved Kela's operational and financial plan, its project portfolio for 2011-2014 and the Kela scorecard for 2011 and concluded a performance agreement for 2011 with the director-general. The operational and financial plan covers Kela's mission, vision, values, strategic foundation, scorecard, project portfolio, and the financial plan. The board approved the general principles for Kela investment and the investment plan for 2011.

During its term of office, the board of directors' core objective for its strategic vision is to make the service provided by Kela the best in the public sector. The other pillars of the vision are as follows: Kela is an active developer of social security and its implementation; Kela is a reliable, efficient, and socially responsible actor; and the social security provided by Kela is clearly-defined, of high quality, and reasonably measured.

The Finnish economy recovered from the plunge following the financial crisis more rapidly than anticipated. The employment situation also improved more quickly than expected. The rate of increase in unemployment slowed down and the unemployment rate remained at previous year's level. Despite the start of the economic recovery, the number of applications for unemployment security and housing benefits increased. The need for customer advice also increased. Already in March 2009, the board revised the operational and financial plan so that insurance regions were provided with additional resources for dealing with the higher number of benefit applications. The additional

resources were based on an estimate on the impacts of the economic downturn on the amount of work.

Kela has no plans to permanently adjust its personnel resources in accordance with the downturn. The personnel framework will be adjusted as normal using an exit turnover. By adjusting work, voluntary efforts, continuous monitoring, and by ensuring that the situation remains under control, Kela has been able to keep its average benefit processing times at reasonable levels. The board is continuously monitoring the situation and, if necessary, will also make new decisions.

The board of directors submitted an opinion to the Ministry of Social Affairs and Health on the processing times in the Social Security Appeal Board. The board expressed its concern over the fact that average processing times have become progressively longer and proposed that the Ministry of Social Affairs and Health take urgent action so that the Social Security Appeal Board can process the appeals submitted to it more quickly.

#### **Kela's service network**

Following the decisions taken by the board of directors, Kela had a total of 25 insurance districts on 1 January 2011. As of 1 May 2011, there were 218 branch offices and Kela had concluded 123 joint service contracts of different types. Branch offices have been replaced with joint services involving other public-sector actors on a case-by-case basis.

Kela has actively developed online transaction services and provided customers with information on them through various channels. More and more Kela customers manage their transactions online. Families with children and students remained the most enthusiastic online customers.

Providing interpretation services for the disabled became Kela's responsibility on 1 September 2010. The processing of applications for interpretation services was concentrated in the centre for interpretation services for the disabled, established in Turku. Five interpretation agencies were established, one for each insurance region. The providers of the interpretation services, the interpretation agencies, and the system for supplying the interpreters were all acquired through competitive tendering. Apart from the technical problems experienced during the early stages of the system for supplying interpreters, the interpretation service and the supply of interpreters have gotten off to a good start in all parts of Finland.

In several meetings, on a proposal by the director-general, the board has also discussed the bankruptcy of the Finnish Rheumatism Foundation and the measures it requires.

After the Finnish Parliament had approved the necessary amendment to the Act on the Social Insurance Institution, the board of directors decided to transfer the management of the employment-based pensions of Kela's employees to Keva as of 1 January 2012.

The board of directors proposed to the Ministry of Social Affairs and Health that Chapter 7, Section 20 of the Act on the Social Insurance Institution be amended and that the amended section should be as follows: "The right to disability pension is assessed and the decisions on disability pensions are made by the Social Insurance Institution in a centralised manner." Based on the initiative by Kela, the Finnish Parliament approved the Government proposal on 17 December 2010. The amendment entered into force on 1 January 2011.

The board has also appointed the advisory board on social medicine and the advisory board on unemployment security issues.

The board of directors decided that, as of 1 October 2010, the area of responsibility of director-general Liisa Hyssälä will be the same as that of Director-General Jorma Huuh-tanen and that the areas of responsibility of directors Helena Pesola and Mikael Forss will remain unchanged.

The board of directors has also regularly monitored the progress of the Arkki project and required that the director-general report to the board on the project at least three times each year.

### **Risk management**

On 17 November 2009, the board of directors approved Kela's risk management plan for 2010. It focuses on expertise, developing information systems and keeping them up-to-date, and preparing for interruptions in financial transactions.

Kela was able to meet the risks during 2010 by avoiding strategic risks that would have had a critical impact on reaching targets.

The risk management plan for 2011 approved by the board of directors in June 2010 focuses on ensuring the implementation of legislation, achieving scheduling targets for processing benefits, ensuring that information systems

remain up-to-date, and preparing for interruptions in financial transactions.

Overall responsibility for risk management lies with the director-general and the board of directors. The board assesses risk management on an annual basis and approves the risk management plan covering all Kela operations. Kela's management is responsible for the implementation of risk management.

### **Process management**

The board of directors held a strategy seminar in January 2010, in which the focus was on process management and introducing it in Kela. As a result of the seminar, the board decided at its meeting on 18 February 2010 to launch a process management development programme at Kela. The director-general will in be in charge of the programme.

Process management was the strategic theme of the year 2010, and it was discussed in planning seminars of the units and in a large number of other events. The work on the process management development programme was completed in autumn. In its September meeting, the board of directors decided that the preparation of process management will continue in accordance with the guidelines proposed in the programme.

### **Funding**

Kela has three benefit funds: the national pension insurance fund, the national health insurance fund, and the social security general fund that was established on 1 January 2009. All three funds have their own operating budgets.

Kela's overall expenditures amounted to EUR 12,585 million in 2010. Benefit expenditures accounted for EUR 12,152 million and administrative expenses for EUR 433 million of this total. The administrative expenses include a share transfer of EUR 38.2 million to the pension liability fund. Overall expenditures increased by 3.0% over the previous year.

Kela's income totalled EUR 12,948 million, up 7.1% over the previous year.

### **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.

Most of the assets invested in the national pension insurance fund, the national health insurance fund, and the social security general fund are liquid assets. The assets of the pension liability fund cover Kela's liability for personnel pensions. When investing national pension insurance 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.

The investment returns for Kela's funds were positive in 2010. The market value of the shares of the national pension insurance fund before the transfer of shares worth EUR 38.2 million to the pension liability fund made in connection with the financial statements increased by about 23% (the same increase as in the previous year). The return of the pension liability fund before the above-mentioned share transfer amounted to 13.6% (compared with 23% in the previous year). Kela saw its dividend income fall from EUR 28.8 million in 2009 to EUR 26.5 million in 2009. The combined monthly average of the liquid assets of the national pension insurance fund, the national health insurance fund, and the social security general fund was EUR 926 million (compared with EUR 726 million in the previous year). As a result of a record low key interest rate of the European Central Bank, the average interest rate of the liquid assets dropped to 0.58% (compared with 0.90% in 2009).

### **Funding national pension insurance**

Benefit expenditures totalled EUR 3 400 million, while administrative expenses amounted to EUR 115 million. Benefit expenditures were 1.3 % higher than in the previous year. Government funding accounted for EUR 3,377 million of the pension insurance expenditures. The employers' national pension insurance contribution was abolished on 1 January 2010. In 2010, Kela received almost EUR 46 million in national pension insurance contributions from previous years. Returns on assets totalled EUR 26 million.

A cost-based minimum is laid down for the liquid assets of the national pension insurance fund. In a legislative amendment introduced in 2010, the Government supplementary funding was abolished and the minimum laid down for the national pension insurance fund's liquid assets was decreased to 3.5% (from 5% in 2009). As a result,

the liquid assets of the national pension insurance fund decreased by about EUR 38 million.

### **Funding national health insurance**

National health insurance benefits (including rehabilitation) totalled EUR 4 239 million, which was 2.2% more than in the previous year. Benefits paid from earnings security insurance totalled EUR 2,204 million and benefits paid from medical expense insurance totalled EUR 2,035 million. Administrative expenses came to EUR 186 million. National health insurance income totalled EUR 4,854 million.

Earnings security insurance covers sickness allowance, parental allowance, rehabilitation allowance, and occupational health care, excluding reimbursements to the Student Health Foundation. Benefits paid from the earnings security insurance increased by 4.7% over the previous year. The earnings security insurance is jointly funded by the employers, employees, entrepreneurs, and the government. Kela received a total of EUR 1,574 million in employers' health insurance contributions and EUR 723 million in employees' and entrepreneurs' daily allowance contributions. Government contributions totalled EUR 120 million.

Medical expense insurance covers compensations paid for medical care, such as reimbursements for medicine and rehabilitation services. Medical expense insurance benefits decreased from the previous year for the first time. About 60% of the benefits are reimbursements for medicine. They decreased by 1.5% compared to the previous year. Funding for medical expense insurance is divided equally between the insured and the government. Medical expense insurance contributions from employees, entrepreneurs, and beneficiaries came to EUR 1,256 million. Government contributions to the medical expense insurance benefits and the administrative expenses arising from the scheme totalled EUR 1,152 million.

A cost-based minimum and a four percentage point margin, within which the minimum can vary without affecting the insurance contribution criteria of the following year, are laid down for the liquid assets of national health insurance fund.

### **Social security general fund**

Benefits such as unemployment security benefits, benefits for families with children, and student benefits are paid from this fund. Since September 2010, the fund has also

managed the interpretation service for the severely disabled, the responsibility for which was transferred from the municipalities to Kela during the year under review.

In 2010, the benefits paid from the social security general fund totalled EUR 4,513 million, while administrative expenses came to EUR 132 million. Benefit expenditures increased by 5.4% compared with the previous year. Government funding accounted for EUR 3,883 million of the fund's benefit expenditures and for all of its administrative expenses. A total of EUR 40 million in employees' unemployment insurance contributions was used to fund unemployment security. Municipalities paid Kela EUR 443 million for child daycare allowances and EUR 145 for labour market subsidies.

### Administrative expenses

Administrative expenses, excluding the share transfer of EUR 38.2 million to the pension liability fund, came to EUR 395.0 million in 2010. This was 2.0% more than in the previous year. Administrative expenses totalled EUR 433.2 million, which accounted for 3.4% of the overall expenditures.

The administrative expenses are directed at the benefit funds on a percentage basis. The national pension insurance fund, the national health insurance fund, and the social security general fund accounted for 19.4%, 47.2%, and 33.4% of the total, respectively.

Salaries and remunerations amounted to EUR 194.2 million, representing an increase of 6.6% over the previous year. Personnel-related expenses totalled EUR 99.4 million. Share transfers accounted for EUR 38.2 million of this total.

Other administrative expenses came to EUR 84.9 million and IT expenses accounted for EUR 27.5 million of this total. Depreciation of fixed assets amounted to EUR 8.6 million (21.2% less than in the previous year). Income-reducing administrative expenses totalled EUR 9.8 million.

Purchased services decreased because the largest item, tax costs paid to the tax administration, was cut by a legislative amendment. Tax costs amounted to EUR 25.2 million (a decrease of 26.5%). Other purchased services totalled EUR 29.5 million.

### Pension liability fund

Kela's actuarial full-pension liability for its personnel totalled EUR 1,781.7 at the end of the year. Current pensions accounted for EUR 860 million of this total. The full pen-

sion liability increased by EUR 85 million in the year under review, which was due to increases in pensions and pension accruals.

Covered pension liability accounted for 41% of the full liability. The liability covered by employees' pension contributions was EUR 38.8 million. The coverable pension liability at the end of 2010 totalled EUR 769.3 million. In addition to this, the pension liability fund contained assets worth EUR 365 million.

A total of EUR 72.6 million was paid to the pension liability fund in employer's contributions. Of this total, EUR 38.2 million was covered by share transfers from the national pension insurance fund. The fund was also paid EUR 10.0 million in employees' pension contributions, EUR 2.6 million of which was used to increase coverage for the pension liability.

Kela paid a total of EUR 71.4 million in employment-based pensions, which represents a 6.1% increase over the previous year.

### EMPLOYERS' NATIONAL PENSION AND HEALTH INSURANCE CONTRIBUTION CRITERIA % OF PAY

National pension insurance contributions	2009	2009	2010	2011
Private sector	I-III	IV-XII		
Class I contributions	0,801	0,00	0,00	0,00
Class II contributions	3,001	2,20	0,00	0,00
Class III contributions	3,901	3,10	0,00	0,00
Public sector	1,851	1,05	0,00	0,00
<b>National health insurance contribution</b>				
All employers	2,00	2,00	2,23	2,12

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

### NATIONAL HEALTH INSURANCE CONTRIBUTION CRITERIA

	2009	2010	2011
Employees and entrepreneurs insured under the Farmers' Pension Act (MYEL)			
medical expenses <sup>1</sup>	1,28	1,47	1,19
daily allowance <sup>2</sup>	0,70	0,93	0,82
Entrepreneurs insured under the Self-Employed Persons' Pension Act (YEL)			
medical expenses <sup>1</sup>	1,28	1,47	1,19
daily allowance <sup>2</sup>	0,79	1,05	0,92
Recipients of pensions and benefits	1,45	1,64	1,36
medical expenses <sup>1</sup>			

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

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

### *Easy to use – close to home*

#### **We trust our customers**

Kela manages social security in a customer-oriented manner and develops it in a manner that is characterised by an active and expert approach and initiative. All citizens must have equal access to the services. We are continuing our development work aimed at simplifying social security and facilitating the application for benefits.

The customer-oriented approach is the most important aspect of our services. The goal is to make doing business in Kela easy and to serve the customer close to home. Service convenience involves such things as simplifying the benefits application process. Application forms, decisions, and letters must be clear and easy to understand. Benefits processing must be handled in a way that causes customers as little inconvenience as possible. Automation, self-service, and direct reimbursements make transactions easier. Customers are also actively advised to use the service channels that are best suited to their needs.

Good service is based on trust in the customer and familiarity with the customer's needs. Customer management will be increasingly important in the future. Customers will have a more active role in the service process and its development. The feedback received from customer panels helps us to provide more customer-oriented services. Service takes into consideration people in varying life situations. Special-needs groups also receive the service specifically designed for them.

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

Telephone and web-based services are always close to the customer. An extensive network of branch offices will remain important. Office transactions will be required in customer contacts requiring special expertise. The reservation service makes office transactions easier.

#### **Co-operation helps to achieve more**

Smooth-functioning networks with stakeholder groups are increasingly important for Kela. We will jointly build smoothly functioning service processes. We will maintain strong relationships with our network partners that are characterised by trust and carry out target-oriented co-operation with them so that we can serve our joint customers.

The growing international dimension and the opportunities it generates will also be taken into account when services are developed. Kela will expand co-operation with its foreign partners and will carry out more comparisons with the best practices of other operators. The search for new innovations will also underline the role of research and planning carried out in Kela in the development of our operations and operating environment.

#### **Customer-oriented communications and uniform look**

Communications make it possible to provide the best possible service. Our customer communications have a human touch and are characterised by a service-friendly approach. We will continue to develop our decisions, letters, forms, and visual image and our Internet pages, brochures, and magazines.

### **Social responsibility in Kela**

Kela takes into account social, economic, and ecological aspects in its operations.

Social responsibility means that everybody must have equal access to services and benefits.

In ecological responsibility, proper management of environmental matters is an important aspect of the quality of our operations. We work for a safe and clean living environment in an ethical manner and in accordance with the principles of sustainable development. In economic responsibility, we emphasise adherence to good governance, careful economic planning, and responsible investments. We must help to ensure the sustainability of Kela's funding.

### **We trust our personnel**

Information technology helps us to make our services easier to use and more accessible. The construction and introduction of new technologies and a more efficient use of existing technologies will provide us with new opportunities to improve the quality and productivity of our customer-oriented services.

The expertise possessed by Kela's staff is held in high regard. Kela is a well-managed entity with smooth-functioning work communities. Kela takes care of the working capacity and workplace well-being of its staff and ensures that they can cope with their work. We trust the expertise of our personnel in the development of services.

### **Finances**

In 2011, Kela's expenditures are expected to reach about EUR 13 billion, which is slightly more than 3% above the 2010 levels. As of 1 March 2011, recipients of the lowest pensions started receiving a guaranteed pension, and family allowances, child day care allowances, and minimum sickness and parental allowances and rehabilitation allowances were linked to the national pension index.



*The number of online transactions requiring registration increased from 4.8 million in 2009 to 6.5 million in 2010.*

# KELA GOVERNANCE

## 1 JANUARY 2010

### **Act on the Social Insurance Institution and Kela service regulations**

Kela's status is provided for in Section 36 of the Constitution of Finland (731/1999), under which the trustees appointed by the Finnish parliament supervise the administration and operations of the Social Insurance Institution, as provided in more detail by an act.

Kela's status, responsibilities, and administration 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 the Finnish parliament. In accordance with Section 2 of the Act, Kela's functions concerning social security are laid down in the acts on individual benefits. In accordance with Section 3 of the Act, Kela organs are comprised of the trustees and the board of directors.

Kela's service regulations have been approved by the board of directors under Section 7, Subsection 1, Paragraph 3 of the above-mentioned Act. 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 organisation 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, the Finnish parliament appoints 12 trustees and approves their service regulations. The trustees' term of office is the length of the electoral period, which is 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, approval of the financial statements, the decision on releasing the board from liability, and submitting a report on their operations to parliament each year. The Finnish 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 of directors, 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 who are 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. The members of board include one representative each from the Ministry of Social Affairs and Health, the central employer organisations, the central organisations of trade unions, and the Central Union of Agricultural Producers and Forest Owners. The board member's term of office is three years. The board currently has ten members. A representative of the personnel is entitled to attend and speak at board meetings.

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

The board usually meets monthly.

Disqualification of the chair of the board, the deputy chair and the members is determined in accordance with sections 27-28 of the Administrative Procedure Act, and non-disclosure in accordance with section 23 of the Act on the Openness of Government Activities. The chair, deputy chair, and the members of the board make annual insider declarations similar to those of the Financial Supervisory 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). The Director of Internal Audit acts as the secretary and presenter of the Audit Committee.

### **Director-General and Directors**

Under Section 9 of the above-mentioned Act, Kela has a director-general and a maximum of five directors who are appointed by the President of the Republic upon recommendation by the trustees. At the moment, Kela has a director-general and two directors. The President of the Republic 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, Subsection 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, Subsection 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 a performance agreement with the director-general. The director-general concludes the 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. The directors report to the director-general.

A director appointed by the board is responsible for regional and local administration and concludes the performance agreements with the regional directors.

The directors act as each other's deputies in accordance with a decision made by the board. A specifically 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. The Management Group usually meets on a weekly basis.

#### **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 Kela's funds. 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**

Provisions on trustees' remuneration are contained in the trustees' service regulations. Under Section 5 of the above-mentioned Act, the trustees decide on the remuneration 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 members of the 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 them 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 can be viewed on Kela's intranet. Risk management is applied systematically with uniform methods throughout Kela.

#### **Audit**

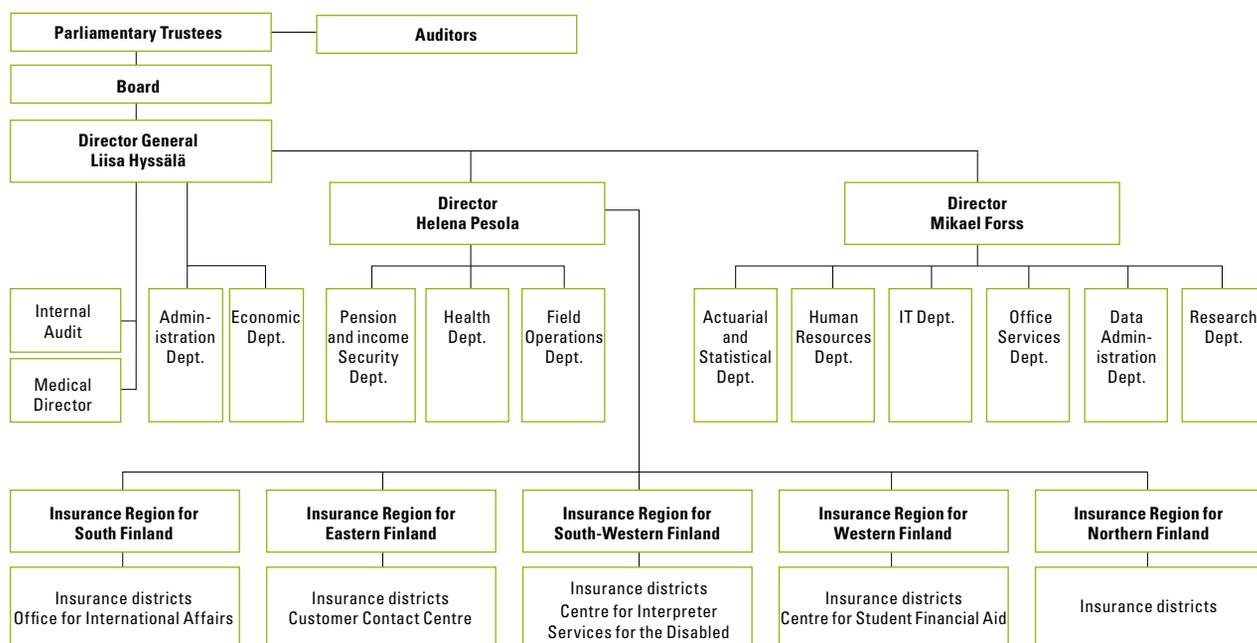
Under Section 5 of the above-mentioned Act, the trustees choose the necessary number of auditors and approve service regulations for them. There are currently eight auditors. The auditors have appointed one of the auditors as the Supervisory Auditor, who submits a quarterly supervisory report to the auditors. The supervisory report is sent to the trustees and the board for information.

Under Section 2 of the service regulations, the task of the auditors is to audit Kela's administration, asset management, and operations. Under Section 18 of the above-mentioned Act, the audit must 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 on the remuneration for the auditors.

#### **Communications**

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 ORGANIZATION 1 OCTOBER 2010



## CONTACT INFORMATION



Nordenskiöldinkatu 12  
 PO Box 450, 00101 Helsinki  
 Telephone +358 (0)20 634 11  
 firstname.lastname@kela.fi  
 www.kela.fi

### Customer service numbers

Conscripts	+358 (0)20 692 200
Housing	+358 (0)20 692 201
Pensions	+358 (0)20 692 202
Kela card, European Health Insurance Card	+358 (0)20 692 203
Rehabilitation	+358 (0)20 692 205
Families with children	+358 (0)20 692 206
Moving to or from Finland	+358 (0)20 692 207
Death of a family member	+358 (0)20 692 208
Students	+358 (0)20 692 209
Sickness	+358 (0)20 692 204
Unemployment	+358 (0)20 692 210
Disability	+358 (0)20 692 211



441 032  
 Ympäristömerkitty painotuote



*The number of recipients of early and deferred old-age pensions increased by 8.4% and 14.3%, respectively*

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

