

Annual Report 2009





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*Kela has an impact
on society at large
and the lives of
its members.*

The Social Insurance Institution of Finland (Kela) plays a central role in Finnish society. All citizens are, at some stage of their lives, Kela's customers. Kela is responsible for the implementation of Finland's social security, draws attention to deficiencies in it and makes proposals for improvements by, for example, contributing to legislative developments.

Kela provides information, compiles statistics and carries out research. Kela provides citizens with information about social security benefits and who is eligible for them. At the same time, statistics and research help decision-makers in their work and provide citizens with useful facts. During the past two years, Kela has provided the committee drafting reforms in Finland's social security system (Sata Committee) with calculations, studies and other background material. Many of the committee's proposals are based on background material supplied by Kela. Kela's representatives have also influenced the committee's recommendations as experts on social security.

Kela is an important provider of employment, and the location of its branch offices and other service points is of major regional significance. For example, the establishment of a Customer Contact Centre office in Kemijärvi created jobs in the locality after one of the largest Kemijärvi-based factories had closed down.

Kela's regional role is also evident in the amount of benefits paid in different municipalities. In most municipalities, the benefits paid by Kela to local residents exceed the municipal income tax revenue.

The lives of individuals and families involve many changes, some of which are positive and some negative. In accordance with its mission statement, Kela promises to be with you throughout your life and support you through times of change.

One purpose of Kela-paid benefits is to provide all Finnish residents with basic security. This is particularly important when work and work-based benefits do not provide people with adequate social security. The discrepancy may be a result of an economic slowdown of short duration or a deeper and more prolonged social transition in which the change-over from old to new is accompanied by problems.

The guaranteeing of basic security also means that the benefits paid by Kela must be reasonable. The adequacy of the benefits can be assessed by examining to what extent Finland's social policy in general and the basic security provided by Kela in particular protect people against poverty.

In 2008, the overall poverty rate in Finland stood at 13.2 per cent, which is low by international standards. Among those relying on basic security, the rate was three times higher and the poverty risk among these people has doubled during the past twenty years.

In general, Finland's social security system functions smoothly, but there are problems, particularly in the adequacy of basic security. The Sata Committee also drew attention to the fact that the basic security benefits are lagging behind. They made a number of proposals to rectify the situation, and Kela supports these proposals.

Director-General's review

Finland's economic situation deteriorated rapidly during 2009, and particularly the number of applicants for unemployment security benefits and housing allowance increased substantially. Compared with 2008, the number of new applications for unemployment security benefits and general housing allowance increased by 21.4% and 36.8%, respectively. Kela was fairly successful in meeting this challenge. Processing times remained reasonable. The time spent on making decisions was closely monitored during the year, and Kela employed new staff to deal with the backlog of decision-making tasks.

The Sata Committee drafting reforms in Finland's social security system completed its work at the end of 2008. The work of the committee was overshadowed by the economic downturn. Despite its good intentions, the committee only achieved modest results, and the hoped-for improvements in Finland's complicated social security legislation failed to become reality. The committee examined many of the system's problems in a thorough manner. My hope is that the process of implementing the proposals will continue in the coming years. There is still a great need for legislative clarifications.

Kela completed the work on its service development programme in 2009. The programme sets out new aims and operating approaches for Kela's customer service. The programme was supported by extensive training and the updating of customer communications. The programme was favourably received at different levels of the organisation, and a great deal has already been implemented.

A large number of changes are taking place in Kela's top management. Directors Asko Apukka and Matti Puhakka retired on 1 August 2009 and 1 March 2010, respectively. I, myself, will retire on 30 September 2010. This means that the new service regulations that entered into force at the start of 2009 and that have worked well must now be changed. Since 1 March 2010, Kela has had a Director-General and two Directors. The abolishment of the old arrangement of three Directors has required a new organisational approach. Benefit and customer service processes are now under one Director, while the other Director is responsible for internal processes. The aim of this change is to make processes smoother and to put Kela's operations on a more uniform basis.

Kela is continuously given new tasks. In 2009, the management of the child maintenance allowance scheme was transferred to Kela, and the timetable of the change-over process was fairly tight. Despite a number of technical problems, the process went quite

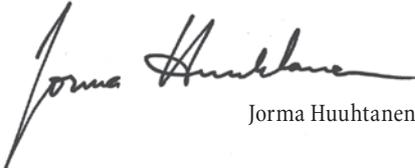


smoothly, for which I would like to thank all those involved. On 1 September 2010, Kela will also assume responsibility for providing the disabled with interpretation services. The substantial change-over process, which also involves competitive tendering, is already under way.

Even though Kela's operations have expanded, it has been able to keep its administrative expenses at reasonable levels. Last year, they accounted for only 3.5 per cent of the overall costs.

I would like to thank all members of Kela's staff for their efficient work. Even though not all applications could be processed in accordance with the targeted timetables, the year was so difficult that perfect performance would have been a sheer miracle. In its annual customer survey, all Kela's service channels were rated 'good'. The fact that Kela received the Recognised for Excellence award in the public and non-profit corporation category of the 2009 Finnish quality competition is another demonstration of our success.

I would like to thank the retired directors, Asko Apukka and Matti Puhakka, and the Trustees for their work for Kela. I would also like to thank our customers and partners during the past year.



Jorma Huuhtanen

Kela

With you throughout life – supporting you through times of change

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 also provides disability benefits, conscript allowance and special assistance for immigrants.

Close to the customer

The decisions concerning the granting of social security benefits are made by 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. The decisions concerning university students' applications for financial aid are made by the financial aid committees at universities.

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 2009

The work on the service development programme launched in 2006 as an extensive working group project was largely completed at the end of 2009. The programme involved the establishment of the central principles and an operating model governing customer service in Kela, the definition of the service channels and the grouping of customers in accordance with their life situation. As part of the programme, Kela created customer service pages for its intranet website, set up background support for customer service and started improving its reservation service. The development programme also sets out the criteria for maintaining Kela's network of branch offices, which have been observed since 2008. There are plans to replace most of the offices that have been closed with joint services. Kela was particularly active in promoting joint services in 2009.

More and more Kela customers manage their transactions on the Internet. There were 12 million visits on the Kela.fi website and 12.6% of all benefit applications were submitted online. Families with children and students are the most eager users of online services.

The establishment of customer panels has made customers an increasingly important partner in the development of the benefit implementation process and customer service. The panels set up in

the central administration deal with specific life situations, while the panels established in the insurance regions are on a regional basis. Customer service development has been supported by extensive training and provision of information. Kela has updated the image and the contents of its customer communications in accordance with the aims of the service development programme. Even though the service development programme has now ended, customer services in Kela are continuously developed as everyday activities. New customer service development projects will be started during 2010.

Kela was actively involved in the legislative development work carried out by the Sata Committee and also submitted a number of initiatives. Most of the more than 50 proposals for legislative amendments made by the committee concern Kela. From Kela's viewpoint, the most important proposals are the guaranteed pension paid to people with low income, transfer of the support for informal care to Kela, updating of the housing allowance system, the abolishment of means testing in connection with unemployment security and the simplification of basic security.

The year 2009 was a challenging one for decision-processing in Kela, as the number of applications for unemployment security

benefits and housing allowance increased substantially as a result of the poor economic situation. The number of new applications for unemployment security benefits and general housing allowance increased by 21.4% and 36.8%, respectively. The need for customer advice has also increased. Kela had to employ more staff in order to prevent processing times from becoming longer. In fact, compared with the lengthy waiting times experienced by the customers of unemployment funds, the processing times in Kela remained reasonable. The responsibility for the child maintenance allowance scheme was transferred from the municipalities to Kela on 1 April 2009, which resulted in a great deal of work.

A project aimed at increasing the efficiency of the benefit processes was completed at the start of the year. Almost all of the updated and harmonised benefit processes were in use by the end of the year. Kela will continue the project in co-operation with its partners. The aim is to clarify joint work stages and automate the gathering of information received from external sources.

Kela continued the development of its information systems during the year. The planning and construction of Kela's future customer service and benefit management system, OIWA, was on schedule. The aim is to introduce the new system during 2011. OIWA will provide customer service with new user-friendly tools and will help to guide Kela's benefit management work.

The year also saw the launching of the ARKKI project, aimed at updating Kela's benefit systems. The project will involve the updating of Kela's approximately 40 information systems and their support systems in a process-oriented manner. The purpose of the project is to automate benefit processing, and it will be beneficial to customers and Kela's own operations. The completion of the project is estimated to take 10 – 15 years.

The Kyky project, aimed at improving the customer service provided in connection with benefits in the field of health and working and functional capacity, was also started in 2009. The project brings together the expertise of Kela's own organisation and that of the stakeholders influencing the situation of the customer. From a customer's viewpoint, the processing of and the decisions concerning the daily sickness allowance, rehabilitation and disability pensions are a series of successive applications and additional documents. The aim is to ensure that customers could return to work as quickly

KELA IN BRIEF

	2009	2008	2007	2006	2005
Overall expenditures EUR billion €	12.2	11.5	10.9	10.8	10.7
Benefit expenditures EUR billion €	11.8	11.1	10.5	10.5	10.4
Administrative expenses % of overall expenditures%	3.5	3.2	3.2	3.3	3.1
Benefit expenditures (% of GDP)	6.9*	6.0*	5.9*	6.3	6.6
Benefit expenditures (% of social expenditures)	23.3*	22.9	23.1	23.9	24.7
Benefit expenditures per insured person (EUR/annum)	2,202	2,087	1,984	1,984	1,977
Personnel on 31 Dec.	6,042	5,864	5,756	5,973	6,095

*Estimate

and as flexibly as possible, or, if rehabilitation is not an option, to go on a disability pension without any interruption in their income.

The process of transferring the handling of all customer calls to the national service numbers of the Customer Contact Centre was completed in December 2009. There are now 12 national service numbers, one for each different life situation. A separate number was set up for calls from different authorities. Kela's branch offices no longer answer customer calls, which means that they can now concentrate on serving customers visiting the offices and the processing of applications.

The process of updating the image of Kela's branch offices reached the pilot stage as the office in the Helsinki district of Kamppi was equipped with new illuminated signs and a window decoration. The decisions on the future of the image-updating process will be made in spring 2010. The new look will not be introduced in one go but will be a gradual process carried out as branch offices are repaired and renovated. The interior look and furniture of the offices will be subject to a separate pilot project.

A majority of the Finnish population received Kela benefits last year. Kela's overall expenditures amounted to EUR 12.2 billion, which was 6.3% more than in the previous year. Benefit expenditures accounted for EUR 11.8 billion of the overall total. Administrative expenses accounted for 3.5% of the overall expenditures. A total of 64% of Kela's funding came from the state, 31% from insurance contributions and 5% from municipal contributions.

Benefits paid by Kela

All benefits

Kela's benefit expenditures totalled EUR 11.8 billion, which was 6.0% more than in the previous year. There were 69 million payments made, 25 million of which were made through pharmacies.

Pension security benefit payments increased by 2.9% and health insurance benefits by 4.2% over 2008. Unemployment security benefits increased by 18.5%.

BENEFITS PAID BY KELA

	2009 EUR million €	2008 EUR million €	Change (%)
Pension benefits	2,561.3	2,507.9	2.1
Benefits for the disabled	418.4	399.2	4.8
Health insurance benefits	3,842.2	3,679.8	4.4
Rehabilitation	305.4	299.8	1.9
Unemployment security benefits	974.6	822.7	18.5
Benefits for families with children ¹	1,945.1	1,829.8	6.3
Student benefits	833.3	737.7	13.0
Pensioners' housing allowance	370.1	349.3	6.0
General housing allowance	482.1	428.3	12.6
Other benefits	53.4	60.9	-12.2
Total benefits	11,785.9	11,115.5	6.0

¹ Daily parental allowance is included in the health insurance benefits.

Pensions and disability benefits

In 2009, Kela paid EUR 2,561 million in pension benefits, which represents an increase of EUR 53.4 (2.1%) over the previous year. A total of EUR 418 million was paid in disability benefits, which is EUR 19.2 million (4.8%) more than in the previous year. An index increase of 4.6% was made in pension and disability benefits from the beginning of 2009.

After increasing in 2008, as a result of legislative changes, the number of persons receiving Kela's pension benefits started to decline in 2009. At the end of the year, the recipients of pension benefits totalled 735,000. The number of recipients of disability and unemployment pension benefits increased by slightly less than one per cent, while the number of recipients of other pension benefits declined. In proportional terms, the biggest decline was in the number of front veterans supplements (12.0%). There were 90,200 full national pension recipients (a decrease of 1.2%).

The number of persons receiving disability benefits at the end of 2009 was 268,500. This number increased by 1,700 (0.6%) during the year. The number of children and adults receiving disability allowance decreased, while the number of persons receiving pensioners' care allowance and diet allowance increased.

In 2009, Kela received 147,000 applications for pension benefits (a decrease of 18.5%). Of these applications, 22,000 (15.8%) were submitted from abroad on the basis of EU or social security conventions. A total of 150,000 decisions were made, with 101,000

PENSION BENEFITS¹

Benefits paid	2009 EUR million €	2008 EUR million €	Change (%)
Total	2,561.3	2,507.9	2.1
National pensions	2,455.0	2,396.0	2.5
Old age pensions	1,662.6	1,643.9	1.1
Disability pensions	738.5	700.1	5.5
Unemployment pensions	53.9	52.1	3.5
Survivors' pensions	36.4	36.6	-0.5
Child increases	5.6	5.4	4.3
Front veterans supplements	34.8	37.6	-7.6
Additional front veterans supplements	29.5	32.3	-8.8

Number of persons receiving benefits	31.12.2009	31.12.2008	Change (%)
All benefits	735,100	741,400	-0.9
Recipients of national pension	677,200	679,700	-0.4
Recipients of old age pension	485,000	488,700	-0.8
Recipients of disability pension	167,900	166,700	0.7
Recipients of unemployment pension	24,300	24,200	0.5
Recipients of survivor's pension	29,100	30,000	-2.8
Recipients of child increase	13,500	13,700	-1.2
Recipients of front veterans supplement	59,400	67,500	-12.0

Structure of national pensions	31.12.2009	31.12.2008	Change (%)
Recipients of national pension with			
full pension	90,200	91,400	-1.2
reduced pension	587,000	588,300	-0.2

DISABILITY BENEFITS¹

Benefits paid	2009 EUR million €	2008 EUR million €	Change (%)
Total	418.4	399.2	4.8
Child disability benefits	69.9	70.3	-0.5
Adult disability benefits	31.6	31.3	0.9
Pensioners' care allowances	310.0	291.1	6.5
Diet allowance compensations	6.9	6.5	5.3

Number of persons receiving benefits	31.12.2009	31.12.2008	Change (%)
All benefits	268,500	266,800	0.6
Child disability benefits	33,200	34,500	-3.5
Adult disability benefits	10,800	11,200	-3.6
Pensioners' care allowances	198,900	196,800	1.0
Diet allowance compensations	27,600	26,200	5.2

¹ The terminology for pensions, disability benefits and pensioners' housing allowance used in statistics was changed on 1 January 2008. Pensioners' care allowance is now a disability benefit and pensioners' housing allowance a separate benefit, which is described below.

Kela supports young people by providing them with such benefits as student financial aid, daily parental allowance and housing allowance.



made by Kela branch offices and 49,000 by the central administration. Of the decisions, 121,000 were made on applications submitted in Finland and 29,000 submitted from abroad. The average processing time for applications submitted in Finland was 47 days, decisions made in branch offices 40 days and by the central administration 66 days.

In 2009, Kela received 113,000 applications for disability benefits (a decrease of 4.2%). Decisions were made on 112,000 applications. The average processing time was 39 days.

The average national pension at the end of the year was EUR 298 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 162 million (4.4%) over the previous year. Kela paid out EUR 3,842 million in health insurance benefits, to a total of 4,187,000 million people (an increase of 0.6%).

Of the 671,000 applications for daily sickness allowance received in 2009, 7.2% were submitted electronically. Kela made a total of 665,000 decisions concerning daily sickness allowance, which was 4.7% fewer than in the previous year. A total of 35,000 of the decisions (a decrease of 10.3%) were made in employee sickness funds. Of the decisions, 3,100 concerned partial daily sickness allowance. New applications were processed in an average of 15 days, which was almost one day more than in the previous year.

Daily parental allowance was paid to 102,300 mothers and 54,600 fathers. The payments totalled EUR 910.4 million (an increase of 9.5%). Reimbursement for daily parental allowance was provided for 16.5 million days (fathers accounted for 6.7% of this total). There was a further increase in the number of recipients of paternity month benefits. In 2009, a total of 10,800 fathers (an increase of 21.4%) claimed their right to extended paternity allowance (paternity month). Of these, 5,900 fathers took a "transferred paternity month". The paternity month covers the last 12 weekdays of the parental allowance period plus 1–12 paternity allowance days. The paternity month can be taken within 180 days from the end of the daily parental allowance period.

In 2009, EUR 55.9 million was paid in annual leave compensations (an increase of 14.2%) to the employers of 24,800 persons. The amount of compensation paid has increased by 50% 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.

Daily sickness allowance payments increased by 3.4%. A total of EUR 5.3 million (an increase of 8.7%) in daily sickness allowance was paid to 17,000 persons insured under the Self-employed Persons Pensions Act (YEL).

HEALTH INSURANCE REIMBURSEMENTS

	2009 EUR million €	2008 EUR million €	Change (%)
Total	3,842.2	3,679.8	4.4
Daily health insurance allowance	1,785.0	1,671.3	6.8
Daily sickness allowance ¹	806.6	780.2	3.4
Partial daily sickness allowance	3.5	2.9	19.6
Daily self-employment sickness allowance	5.3	4.9	8.7
Daily parental allowance ²	969.6	883.3	9.8
Medical expense reimbursement	1,748.2	1,711.5	2.1
Medicinal products ³	1,244.7	1,242.9	0.1
Basic reimbursement	402.7	395.5	1.8
Special reimbursement	701.1	700.6	0.1
Lower reimbursement	230.6	235.0	-1.9
Higher reimbursement	470.5	465.6	1.1
Supplementary reimbursement ⁴	140.7	146.7	-4.1
Private physicians' fees	73.6	66.2	11.2
Private dentists' fees	124.9	118.6	5.3
Private examination and treatment	70.3	68.3	3.0
Travel and patient transportation ⁵	234.7	215.5	8.9
Other benefits	309.0	296.9	4.1

¹ 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.

² Includes special care allowance and reimbursements paid to employers for annual leave costs.

³ Includes reimbursements for costs of dose dispensing.

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

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

RECIPIENTS OF HEALTH INSURANCE REIMBURSEMENTS

	2009	2008	Change (%)
Total	4,186,800	4,161,500	0.6
Daily sickness allowance ¹	326,600	342,800	-4.7
Partial daily sickness allowance ¹	2,200	2,000	9.9
Daily self-employment sickness allowance ¹	17,000	16,700	1.4
Daily parental allowance	156,800	155,200	1.1
Medical expense reimbursement	4,137,000	4,110,900	0.6
Medicinal products	3,756,400	3,723,500	0.9
Basic reimbursement	3,660,000	3,619,500	1.1
Special reimbursement	1,139,800	1,122,600	1.5
Lower reimbursement	850,300	842,500	0.9
Higher reimbursement	516,100	497,100	3.8
Supplementary reimbursement	169,300	167,400	1.2
Private physicians' fees	1,613,300	1,591,900	1.3
Private dentists' fees	1,049,300	1,047,100	0.2
Private examination and treatment	971,200	949,500	2.3
Travel and patient transportation	666,300	667,800	-0.2

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

An amendment concerning the partial daily sickness allowance entered into force on 1 January 2007. The amendment allows persons who have been receiving daily sickness allowance for an uninterrupted period of at least 60 days, full-time employees and entrepreneurs to return to work on a part-time basis. In addition to a part-time salary, these persons are also paid a partial daily sickness allowance. The partial daily sickness allowance was paid to 2,200 persons, amounting to EUR 3.5 million (an increase of 19.6%). The average partial daily sickness allowance was EUR 31. The average daily sickness allowance was EUR 51 and parental allowance EUR 55.

The minimum daily allowance was increased from EUR 15.20 to EUR 22.04. In 2009, the minimum or lower daily sickness allowance was paid to 26,300 persons (8.0% of the daily sickness allowance recipients). The minimum daily parental allowance was paid to 16,500 mothers (16.1% of the mothers receiving daily parental allowance). This total does not include those receiving the minimum daily parental allowance due to employment.

The decisions on reimbursements for medical expenses totalled 10.1 million, of them 0.4 million by employee sickness funds. The average processing time of an application was 10 days, compared with 12 days in the previous year.

A total of EUR 1.7 billion was paid in reimbursements for medical expenses (an increase of 2.1%). Out of all reimbursements for medical expenses, the reimbursements for medicinal products increased by 0.1% (compared with an increase of 8.8% in the previous year).

The reference price system for medicinal products entered into force on 1 April 2009. Under the system, the Kela-paid reimbursement for the medicinal products covered by the system will be on the basis of the reference price. In 2009, the price competition boosted by the reference price system cut health insurance expenses resulting from medicinal products by EUR 51.7 million, while patients saw their medicine costs decline by EUR 21.3 million. As a result, the rise in the expenses generated by medicine reimbursements peaked during the year under review.

The number of persons receiving basic reimbursements for medicinal products increased by 1.1% and those receiving special reimbursements by 1.5%. The number of persons receiving supplementary reimbursements for medicinal products rose 1.2%. Reimbursements for dose-dispensing costs were paid to 6,000 persons (increase of 2,000 persons over the previous year) for a total of EUR 239,000.

In 2009, EUR 124.9 million was paid in reimbursements for dentists' fees (an increase of 5.3%). Reimbursements for dental care were paid to 1,049,000 persons (an increase of 0.2%). Dentists' fees were raised as of 1 January 2008. The aim was to raise the reim-

bursement rate to approximately 40%. The reimbursement rate for dentists' fees was 37.0%, more or less the same as in the previous year.

Reimbursements paid for physicians' fees increased by 11.2% and the number of recipients by 1.3%. Reimbursements for examination and treatment costs increased by 3.0% and the number of reimbursement recipients by 2.3%. Reimbursements for travel costs increased by 8.9%, while the number of recipients declined by 0.2%.

A total of EUR 251 million in reimbursements was paid to employers for occupational health care expenses (a decline of 1.1%). 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 1.9 million. Reimbursements paid to the Student Health Foundation amounted to EUR 22.8 million.

Rehabilitation benefits

Kela's rehabilitation expenditures amounted to EUR 305 million, which was 1.9% more than in the previous year. Individual rehabilitation costs totalled EUR 300 million, of which EUR 235 million was spent on rehabilitation (a decrease of 0.7%) and EUR 65 million on rehabilitation allowance (an increase of 10.8%).

A total of 83,800 persons made use of Kela's rehabilitation services (a decrease of 3.0%). Of these, 36% were new rehabilitees. A total of 54,300 persons received a Kela rehabilitation allowance as income security (a decrease of 7.5%). Of them, 69% took part in Kela-organised rehabilitation. Rehabilitation allowance was provided for an average of 39 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 52,100 persons took part in rehabilitation. Vocational rehabilitation was provided for 12,900 people with reduced functional capacity and medical rehabilitation for 20,700 severely disabled persons.

The most common type of discretionary rehabilitation was vocationally oriented medical rehabilitation (ASLAK® courses), in which 13,500 persons participated (a decrease of 1.3%). Discretionary psychotherapy was provided for a total of 14,700 persons, which was 7.9% more than in the previous year. Personalised rehabilitation programmes were provided for 3,200 persons (a decrease of 10.2%).

In the medical rehabilitation of severely disabled persons, personalised rehabilitation was provided for 3,500 (a decrease of 4.6%) and physical therapy for 14,300 persons (a decrease of 1.1%). The most common type of vocationally oriented rehabilitation was working capacity training (TYK), which was received by 3,500 rehabilitees (a decrease of 18.8%).

Of all rehabilitees, 69% were in working life.

Unemployment security benefits

Unemployment security benefits paid by Kela increased by 18.5%, totalling EUR 975 million. Of this amount, EUR 762 million was paid as labour market subsidy (an increase of 11.8%) and EUR 166 million as basic daily allowance (an increase of 72.9%).

Unemployment security benefits were paid to 256,100 persons, with an average 141 days per beneficiary. Basic daily allowance was received by 63,900 people (an increase of 42.8%) and labour market subsidy by 184,000 people (an increase of 0.3%). Labour market training support was paid to 7,200 people (an increase of 12.2%) and labour market integration allowance to 14,400 immigrants (an increase of 9.4%).

Of those receiving labour market subsidy, 68,800 (37.4%) took part in different types of active measure during the year, such as training, workplace coaching or rehabilitative work. Of the integration allowance recipients, 12,900 (89.9%) received the benefit for the duration of the active measures. Of the labour market subsidy benefits, 31.1% was paid for the duration of the active measures.

The average basic daily allowance was EUR 25.50 and average labour market subsidy EUR 26.60. During the year, adjusted daily allowance was paid to 13,700 recipients of basic daily allowance and 22,800 recipients of labour market subsidy. Means testing applied in connection with labour market subsidy cut the subsidies of 14,600 recipients, while a total of 17,500 unemployed persons received partial labour market subsidy.

Labour market training assistance was paid to 7,200 persons. A total of 25,500 recipients of labour market subsidy and 8,200 recipients of integration allowance participated in labour market training. A total of EUR 43 million was paid in training benefits. EUR 3 million was paid in daily training allowance to 950 people.

A total of 815,400 decisions concerning unemployment security benefits were made during the year (an increase of 10.9%). A total of 251,300 decisions were made on new applications and their average processing time was 17 days. A total of 81.5% of the new applications were processed within four weeks of their receipt.

Benefits for families with children

The implementation of the child maintenance allowance scheme and the recovery of child support payments were transferred from municipalities to Kela on 1 April 2009. Child maintenance allowance can be paid when a parent liable to provide child support has failed to meet his/her child support payment obligations or when the paternity of a child born outside marriage has not been established. In 2009, the full monthly maintenance allowance amounted to EUR 136.41 for each child. In the period April – December, Kela paid a total of EUR 114.6 million in child maintenance allowance. In December, a total of 65,000 families and 95,000 children received maintenance allowance.

The sum spent on child daycare allowance increased by 8.3% from the beginning of the year. Home care allowance was raised to EUR 314.28 and private daycare allowance to EUR 160/month. A total of EUR 426.8 million was paid in child daycare allowance, municipal supplements accounting for EUR 83.4 million of this total. When municipal supplements are included, home care allowance payments totalled EUR 349.1 million (an increase of 7.4%) and private daycare allowance payments EUR 69.3 million (an increase of 15.3%). Partial care allowance payments totalled EUR 8.4 million (a decrease of 4.6%).

Home care allowance was paid to 114,700 parents for 174,700 children. There were 20,200 recipients of private daycare allowance and 18,200 recipients of partial care allowance.

Maternity grants totalled EUR 11.1 million (an increase of 0.4%), EUR 0.7 million of which were adoption grants to offset the costs of international adoptions. A total of 59,900 parents received maternity grants. A total of 182 of these parents also received adoption grants.

EUR 1,436.9 million was paid in family allowances (an increase of 0.8%). In December, 562,400 families received family allowance (a decrease of 0.3% from December of the previous year). Of the families, 97,400 received family allowance with single parent supplement. Family allowance was paid for 1,016,900 children, with 151,400 of them receiving a family allowance increase.

Student benefits

Student benefits amounted to EUR 833 million (an increase of 13.0%), of which EUR 504 million went to study grants (an increase of 14.3%) and EUR 267 million to housing supplements (a decrease of 10.5%). A total of EUR 27 million was paid to banks as guarantees on the basis of government guarantees covering study loans. Interest allowance paid on the basis of low income totalled EUR 1.3 million, a total of EUR 25 million was paid in meal subsidies for students in institutions of higher education and a total of EUR 23 million of outstanding study loan guarantees was recovered.

During the 2008/2009 academic year, 290,900 students received financial aid, which was slightly more than in the previous academic year. Of them, 285,000 received study grants (an increase of 1.7%) and 185,000 housing supplements (an increase of 0.6%). A total of 107,700 students (a decrease of 1.4%) received government guarantees for their study loans. In 2009, a total of 5,500 students received interest allowance, which was 10.4% less than in the previous year.

At the end of 2009, student loans totalled EUR 1.3 billion, which was the same as the previous year. There were 274,000 students with student loans during the 2008/2009 academic year. A total of 84,500 students took out student loans in the period January – June.

A total of 430,500 decisions were made on student financial aid applications, 222,000 of which were processed at Kela branch offices (an increase of 10.5%), 86,100 at the Kela Student Financial Aid Centre (a decrease of 4.2%) and 122,400 at university and polytechnic financial aid offices (a decrease of 4.0%).

A total of EUR 38 million in school transport subsidy was paid (an increase of 3.9%). Matkahuolto Ltd invoicing accounted for 72% of the costs. A total of 51,400 students received school transport subsidies during the 2008/2009 school year.

Pensioners' housing allowance

Pensioners' housing allowance payments totalled EUR 370 million, which was 6.0% more than in the previous year. At the end of the year, the recipients totalled 177,900. Their numbers have increased steadily. There has been a considerable increase in the proportion of people living in sheltered housing. They totalled 20,800, which was 15,000 more than ten years earlier. Of the allowances paid, EUR 28 million (8.1%) went to recipients living in sheltered housing. A total of 3,500 recipients were living in dormitories or night shelters. They received nearly nine million euros in housing allowance. The average sum paid to pensioners as housing allowance was EUR 170 million. The income determining the amount was EUR 926 and housing costs EUR 377/month.

Kela made nearly 181,800 decisions concerning pensioners' housing allowance, which was about 5,200 more than in the previous year. A total of 182,200 applications were received, and the processing of one application took an average of 25 days.

General housing allowance

A total of EUR 482 million was paid in general housing allowance. The sum was nearly EUR 56 million or 12.6% higher than in the previous year. A deteriorating economic situation and rising unemployment contributed to the increase in payments and in the number of households receiving the allowance. At the end of the year, a total 161,800 households were receiving a general housing allowance. This was 22,500 (16.1%) more than a year before. Unemployed households accounted for 63.3% (two percentage points more) of this total. Families with children receiving housing allowance totalled 59,300, and their proportion has dropped to 36.6%. Of the families with children receiving the allowance, 40,900 were single-parent families. Half of the housing allowance payments were directed at families with children even though their proportion has dropped by almost three percentage points. There has been a slight increase in single-person households receiving housing allowance. They accounted for 55.5% of all households recipients. There has been a steady decline in the income of the households receiving the allowance. This is because the payment criteria have remained largely unchanged. At the end of the year, the average sum paid as

allowance totalled EUR 249, while the average income was EUR 738 and housing expenses 495/month.

During the year, Kela made 433,700 decisions concerning applications for the general housing allowance, also taking into consideration decisions concerning the discontinuation of benefits (an increase of 15.6%). The number of applications increased by 62,100. Higher unemployment and the gradual introduction of the electronic application option have both contributed to the increase. A total of 446,300 applications were received, and it took an average of 20 days to process each of them.

In 2009, Kela paid a total of EUR 1,136 billion in housing allowance. This figure includes the housing supplement paid to recipients of student financial aid and the housing assistance paid to recipients of conscript allowance. At the end of the year, nearly 500,000 families received a housing allowance. They had a total of 662,000 members, which was 12.4% of Finland's population.

Other benefits

EUR 18.8 million in conscript allowance was paid. EUR 17.2 million of this sum went to housing assistance. The costs resulting from conscript allowance increased by 3.3% from the previous year. Conscript allowances were distributed to 12,600 households. With family members included, the allowance covered a total of 13,800 persons. Of those receiving the allowance, 11,000 were doing military service, 880 were doing non-military service and 740 were relatives. The average conscript allowance was EUR 312 a month.

Compensation for the rehabilitation travel expenses of front veterans came to EUR 1.0 million. The state share of the funding of studies on farmers' working conditions amounted to EUR 1.5 million, of which EUR 0.4 million were expenses of the National Centre for Agricultural Health operating under the Institute of Occupational Health.

A total of EUR 24 million was paid in special assistance for immigrants (an increase of 5.1%). At the end of the year, 5,500 persons were covered, with the average amount of assistance being EUR 365 a month.

Long-term unemployed were paid EUR 5 million in pension assistance (a decrease of 62.5%). The support scheme was discontinued at the end of 2009. At the end of 2009, only 60 persons were covered, with an average assistance of EUR 753 a month.

Recovery

The total amount of benefits claimed for recovery (including those recovered on the basis of the evaluated financial situation where student financial aid is concerned) was EUR 131.2 million at the end of the year (an increase of 7.8%). The amount of outstanding student loan guarantees for recovery was EUR 174 million at year end (an increase of 1.6%).

Finland's economic situation deteriorated rapidly, and there was a substantial increase in the number of applicants for unemployment security and housing allowance benefits.



OTHER BENEFITS

	2009 EUR million €	2008 EUR million €	Change (%)
Rehabilitation	305.5	299.8	1.9
Rehabilitation services	234.8	236.4	-0.7
Rehabilitation allowance	65.1	58.7	10.8
Other expenditures	5.6	4.7	19.4
Unemployment security benefits ¹	974.6	822.7	18.5
Basic daily allowance ²	166.2	96.1	72.9
Labour market subsidy ³	761.7	681.3	11.8
Labour market training benefits ⁴	43.1	41.6	3.4
Daily training allowance	2.9	3.3	-10.3
Maternity grants	11.1	11.0	0.4
Family allowances	1,436.9	1,425.0	0.8
Child daycare allowance	426.8	393.9	8.4
Statutory allowance	343.3	326.6	5.1
Municipal supplements	83.4	67.2	24.1
Child maintenance allowance	114.6	.	.
Pensioners' housing allowance	370.1	349.3	6.0
General housing allowance	482.1	428.3	12.6
Student benefits	833.3	737.7	13.0
Conscript allowance	18.8	18.2	3.3
Special assistance for immigrants	23.9	22.8	5.1
Pension assistance for long-term unemployed	4.6	12.4	-62.5
Other	0.8	2.4	-67.8

¹ Includes job alternation compensation plus supplements and employment programme supplements.
² Includes the unemployment daily allowances of those coming to Finland to seek work.
³ Includes integration allowance and combined subsidy.
⁴ Includes maintenance allowance paid during training support and labour market training.

RECIPIENTS OF OTHER BENEFITS

	2009	2008	Change (%)
Rehabilitees	100,100	104,200	-4.0
Rehabilitation services from Kela	83,800	86,300	-3.0
Rehabilitation allowance from Kela	54,300	58,100	-6.5
Unemployment security benefits			
Basic daily allowance and/or labour market subsidy	241,900	222,000	9.0
Basic daily allowance	63,900	44,800	42.8
Labour market subsidy	184,000	183,500	0.3
Labour market training	25,500	30,300	-16.0
Practical training or workplace coaching	37,400	36,500	2.3
Rehabilitative work	8,700	8,100	6.5
Travelling allowance	1,200	2,000	-36.6
Labour market training subsidy	7,200	6,400	12.2
Daily training allowance	900	1,000	-8.9
Labour market subsidy as integration allowance	14,400	13,200	9.4
Maternity grants (families)	59,900	60,400	-0.8
Family allowances			
Families (31 Dec)	562,400	564,300	-0.3
Children (31 Dec)	1,016,900	1,021,300	-0.4
Child daycare allowance			
Families	142,900	143,000	-0.1
Children	208,600	209,300	-0.3
Child maintenance allowance			
Families	65,000		
Children	95,900		
Pensioners' housing allowance (persons 31 Dec)	177,900	175,400	1.4
General housing allowance (households 31 Dec)	161,800	139,400	16.1
Student benefits			
Student financial aid	290,900 ¹	286,100 ²	1.7
School transport subsidy	51,400 ¹	51,700 ²	-0.6
Conscript allowance (households)	12,600	12,500	0.9
Special assistance for immigrants (31 Dec)	5,500	5,200	6.3
Pension assistance for long-term unemployed (31 Dec)	100	1,000	-93.8

¹ Academic year 2007/2008.
² Academic year 2006/2007.

Even though an increasing number of families with children share parental leave, fathers still only account for less than seven per cent of all parental days off.



Other Kela operations

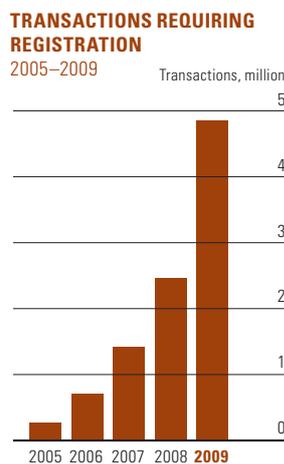
Customer service and the service network

At the end of the year, Kela's service network comprised 251 branch offices and 18 sub-offices. The joint service points jointly established by different authorities provide a replacement for closed branch offices but also help to expand Kela's service network. Joint service points help municipalities to secure access to public services. Kela has been active in making its own services part of the joint service points' offerings. At the end of the year, a total of 85 agreements had been concluded in accordance with the Joint Services Act.

Kela provides customer service through six service channels. An increasing proportion of the customer transactions were made by telephone and online during 2009. The directing of customer calls to service numbers specialising in different life situations and increasing opportunities for online transactions led to a reduction in office visits. The number of online transactions requiring registration increased from almost 2.5 million in 2008 to nearly five million in 2009. A total of 4.1 million transactions were made using the telephone service.

According to a survey conducted on customers visiting Kela branch offices (13,551 respondents), the service received at the office was generally deemed to be a pleasant experience. Nearly all respondents (98%) felt that the service they received was friendly. On a scale of 4 to 10, the respondents gave Kela the overall grade of 8.9. This was the same as in 2008. Most customers (91%) were happy with the offices' opening hours, while quite a few (85%) 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. As far as the advice received is concerned, satisfaction levels were highest in matters concerning pension and health care compensation and lowest in matters concerning parental benefits.



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 94%.

In a telephone questionnaire survey carried out in August (1,002 respondents), citizens gave Kela's services an overall grade of 7.6, which was slightly better than in 2008 (7.4). Kela did reasonably well compared with other public sector organisations but lagged behind companies providing private services.

The branch offices and online services received the highest grades (both scored 8.2). The respondents were slightly more dissatisfied with the telephone service (8.1) and the joint services points (8.0).

Of all respondents, 54% felt that the decisions and letters submitted by Kela are clearly written. The level of satisfaction was highest among students and the unemployed.

Three out of four respondents (75%) 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

During the year under review, the number of employees working for Kela increased by about 200. The growth resulted from such factors as the expansion of the Customer Contact Centre and the increase in the number of applications for unemployment security benefits and general housing allowance. At the end of the year, Kela had a staff of 6,042 persons, 448 of which were fixed-term employees. Of the staff, 84% were women and 16% men. The average age of Kela employees was 46 and the average duration of service 15 years.

In 2009, Kela was, for the first time, able to make full use of the resources management system supporting personnel processes. A great deal of attention has been on the steering of updated processes, and the procedures governing centralised personnel services have been finalised.

The parties concerned agreed on the updating of Kela's codetermination agreement so that it is now in accordance with the Act on Co-operation within Undertakings, which is also binding on Kela.

Uniform guidelines for telework entered into force on 1 May 2009. The guidelines complement the general guidelines on safeguarding the status of the personnel in situations involving organisational changes issued by the Human Resources Department.

The focus of personnel development was in training covering benefits and in training covering the service development programme. During the year, Kela organised a total of 837 training courses, in which 15,776 persons participated. Training days totalled 19,297.

The upgrading of the benefits training aimed at ensuring uniform expertise in the field of benefits continued with the provision of additional online and multiform courses on benefit-related matters. In the implementation of the service development programme, the focus was on the training of service advisers. Training in service skills was also given to staff processing benefits. Coaching in change management was provided for merging insurance districts and other units in transition.

In the work community well-being project, launched at the initiative of Kela's management, the focus was on staff well-being. In the 'Perusasiat kuntoon' (Focus on basic matters) project, supervisors were provided with coaching in the management of workplace well-being, while the online course 'Minä työhyvinvoinnin tekijänä' (Me, as a generator of workplace well-being) provided all staff members with focused coaching. The project also includes pilots covering physical exercise and cultural vouchers and online start interviews. The focus in appraisal interviews in 2009 was on Kela's values as part of everyday life. The key indicators on personnel well-being have improved. The well-being project is continuing, and there are also plans to incorporate a programme on ageing workers into it.

PERSONNEL FIGURES

	2009	2008
Total personnel	6,042	5,864
Full-time	4,971	4,758
Part-time	1,071	1,106
Permanent personnel	5,594	5,496
Full-time	4,579	4,434
Part-time	1,015	1,062
Permanent personnel		
Local administration	3,884	4,111
Central administration	1,278	1,297
Regional administration	432	456
Permanent personnel	2009	2008
Average age	47	47
Training days/person	3.4	3.6
Sick days index	4.5	4.7
Employees leaving Kela	303	293
New Kela employees	411	334
Retirement age	62.8	61.9
Employees retiring on old age pension	171	109
Employees retiring on disability pension	33	51

Comprehensive occupational health care and its attendant services have promoted personnel well-being. During the year under review, the bidding for occupational health care service providers was completed, and the necessary purchasing decisions were made.

In its contingency plans, Kela also made preparations for the H1N1v pandemic and prepared temporary instructions concerning absences during outbreaks of diseases.

Information management

Information management in Kela is undergoing major changes. The updating of the benefit systems and the IT solutions and architecture supporting them has started at a time when the popularity of the new transaction channels is continuing to increase.

New e-transaction services for citizens and different authorities were launched according to plan. Search services were added to the pensioners' housing allowance, revision applications of student financial aid and general housing allowance and the European Health Insurance Card. Provision of information taking place jointly with partners was developed by establishing an interface for external integration and by harmonising procedures. Pharmaceutical companies and health-care service providers joined Kela's system of electronic information provision. Kela opened a service for accident insurance companies and polytechnics allowing them to access Kela's benefit data. In 2009, Kela's open Internet services were visited approximately 12 million times, and there were approximately 4.8 million users of services requiring registration. The number of electronic transaction services doubled compared with the previous year. The growth impact of service marketing and implementation of new services remains strong.

Legislative amendments were made to numerous benefits. Among the most important ones were the amendments concerning unemployment security, training benefits and partial daily sickness allowance and the reference price system for medicinal products. The information system for the child maintenance allowance scheme transferred from the municipalities to Kela was put into use, while the construction of the information systems for guaranteed pensions and the interpretation service for the disabled began. The construction of the information system supporting benefit management and customer service continued in accordance with a revised timetable.

The number of terminal service events, emails and customer letters has reached a plateau. In 2009, there were about 1.9 billion terminal service events, approximately 16 million messages sent via email and 16.9 million letters posted to customers.

Exchange of information on electronic transactions as part of national and international co-operative projects and networking with different organisations continued to increase. Kela started

using the Single European Payment Area (SEPA) system in four different benefits and in pharmacy and contractual payments.

The work to develop the reservation system began, while the impacts of the reorganisation of decision-processing on information systems were assessed. The updating of the website (www.kela.fi) was completed.

Based on legislation applicable to the electronic processing of social and health care customer data and electronic prescriptions, the construction and testing of national information systems for archiving patient and prescription data continued. The process of introducing electronic prescriptions will start after the patient and pharmacy systems and health care actors have been audited. Customer access to their own information will also be realised at the same time.

Kela's services are now produced using both central computers and open-architecture servers, which totalled about 400 at the end of the year. The servers are used on Linux and Windows operating systems.

Communications

During the year under review, the focus in customer communications was on the growth of electronic transactions, new transaction opportunities, national service numbers, child maintenance allowance, the reference price system for medicinal products and changes in the service network. Material was produced for branch offices and information on such matters as changes in the service network and opening hours was provided both nationally and locally. A total of 140 press releases were issued in 2009.

The updating of Kela's website (www.kela.fi) was completed in February. The site has a new look and structure, and the contents have also been revised. There were a total of 12 million visits on the website (compared with 9.3 million in 2008), while transactions by registered customers numbered 4.8 million (compared with 2.5 million in the previous year). In the national online transaction survey, carried out in November, which involved 2,000 customers and Finland's 200 biggest companies and other corporations, Kela came fourth in the overall table but was considered the best of the participating public-sector organisations. More than 90 per cent of the large companies and corporations surveyed received lower marks. The results of the survey were published in January 2010.

The year also saw the completion of the updating of Kela's customer magazines (Kelan sanomat and FPA-bladet). The first issue of the new bilingual magazine *Elämässä – Mitt i allt*, which is delivered to all Finnish households, was published in March. The magazine was published four times during the year and had a circulation

of 2.7 million. The updating of the social and health security magazine *Sosiaalivakuutus* was under way at the end of the year and the first issue with a new look came out in February 2010. The magazine, which has a circulation of 18,000, was published four times during the year. The layout of the personnel magazine *Yhteispeli* was also revised in February. The magazine was published eight times during the year. The updating of the contents of Kela's intranet (*Kelanetti*) continued.

In addition to the 12 brochures on basic security covering different life situations, Kela also published seven Kela info leaflets on more specific themes and five new service brochures. The service brochures provide a comprehensive overview of the electronic transaction opportunities and service telephone numbers for each target group. Kela also started planning brochures in plain Finnish in co-operation with the Centre for Plain Finnish.

As part of the marketing of its transaction services, Kela organised thematic weeks focusing on housing-related allowances (in March), on families with children (in April-May), on students (in August) and on the unemployed (in October). Branch offices were encouraged to present services intended for these target groups. The presentation work was supported by distributing leaflets, by posting advertisement letters with Kela's decisions and by publishing posters and advertisements in free-circulation newspapers. Kela also made use of Google and Facebook as marketing platforms and network banners on discussion forums. A radio advertising campaign on 54 channels was carried out in April and August. The aim of the campaign was to convey the message that Kela's services are available online and at the same time to encourage citizens to seek more information about the matter. According to an attention value survey, the campaign was a great success. It targeted the unemployed, families with children, students and those applying for housing allowance. The European Health Insurance Card was marketed during the holiday season by sending postcards to travel journalists.

The Communications Unit was responsible for Kela's presence at the *Farmari*, *Next Step*, *Child 2009* and *Studia fairs*. The Communications Unit also took part in the organisation of such events as the *Finnish Medical Convention*, *Terve Sos fair* and a number of recruiting and student events in co-operation with other Kela units.

Since the start of 2009, Kela has participated in the work of the *Infopankki* service, which is intended for immigrants. A representative of the Communications Unit has also taken part in the work of the editorial staff of *Manu*, the manual of immigration matters, maintained by the Finnish Immigration Service. Kela's releases concerning immigration and emigration and international matters are published in *Manu*.

Statistics and calculations

Kela improved its online services by expanding the information content of the browser-based Kelasto system. A total of 44 new dynamic reports were entered in Kelasto during the year. They include a statistical entity covering child maintenance allowance and new reports on benefit recipients, recovery and the assessment of personnel needs. Training events helped to increase the use of Kelasto. Kela started the planning of an Internet version of the service, which is intended for external users. Kela introduced new tools for compiling statistics on visits to its website. An extensive project on statistics architecture, which had been under way for many years, was completed.

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 National Agency for Medicines. All printed statistical publications are also available on Kela's Internet website (go to '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 these were the calculations on guaranteed pensions and housing allowance produced for the Sata Committee. Kela's own work was supported by producing performance forecasts and other calculations. Consideration was also given to legislative changes when calculation systems were developed and updated. Kela provided ministries with annual actuarial calculations on Kela-managed social security. Developments in the Finnish economy were closely monitored.

The many legislative changes affecting the funding of Kela, such as the lowering and subsequent abolition of employers' national pension contribution, required the preparation of a large number of reports.

Research

Kela's Research Department supported the development of social and health security by carrying out research and expert work. The work focused on citizens' income, health and well-being. We examined Kela as a social player, as a body implementing social security and as a work community. Key areas of research with a social sciences focus included: customer surveys on Kela and its internal operations, unemployment policy and employment, development and functioning of the national pension system, use of family leaves, social security in the EU, interface between the social security system and citizens, poverty and alienation, and the sufficiency and allocation of social benefits. Areas of health research included: rehabilitation of the elderly, rehabilitation registers, rehabilitation development projects organised by Kela, development and distribu-

tion of medicinal product reimbursements among the population and health equality issues. A large number of opinions were submitted to the Pharmaceuticals Pricing Board in support of pharmaceutical substitutability and pricing decisions.

All research results produced in 2009 were published on different channels, which included a large number of national and international research journals and other publications and the internet. In 2009, the Department established two new electronic publication series: *Nettiartikkeleita* (Online articles) and *Nettityöpapereita* (Online working papers). The Department produced and published a total of 28 reports as part of its series. They covered such topics as unemployment security, reference price system for medicinal products, the Finnish system of partial daily sickness allowance, health insurance payment caps, study and working capacity of the young after psychotherapeutic rehabilitation, support and rehabilitation of the elderly living at home, index security and income status of national pension recipients, shaping of national pension strategies, changes in Kela's service culture and the new customer service model.

A great deal of publicity was given to the findings in the discussion on such issues as poverty, the use of psychiatric medicines among children and the young, single parenthood, medicine costs and basic security. The Research Department took part in fairs and organised information spots, workshops, meetings and research seminars focusing on different themes of social and health security (such as a seminar on the future of social policy). The Department produced a documentary film titled *Lintu ja elämänpuu* (Bird and the tree of life) to generate discussion about the status of the customers, adequacy of social security and co-operation between social security authorities. The Department's representatives gave numerous presentations and introductions in the Finnish Parliament, NGO-organised events, ministries, institutes of higher education and national events. Like in previous years, the Department produced a large number of reports on its research findings and co-operated closely with stakeholder groups.

Within Kela, co-operation with the regions, the Field Operations Department and the Actuarial and Statistical Department was strengthened. Research projects outside Kela were conducted in co-operation with universities and institutes of higher education, the Academy of Finland, the Finnish Centre for Pensions (ETK), Government Institute for Economic Research (VATT), Research Institute of the Finnish Economy (ETLA), a large number of organisations and research institutes coming under the Ministry of Social Affairs and Health. A large number of calculations, reports and background studies were produced for the Sata Committee. International co-operation was done by participating in research projects, making visits and organising guest lectures as well as attending international science conferences.

Information Service

The Information Service acquired and distributed information materials to various Kela units as well as for general consumption. Electronic information sources comprised a considerable percentage of the information offering. Information searches were made on behalf of customers. Customers were introduced to the information sources provided by the Information Service and were taught how to find information. External customers were provided with loan and information services as well as access to the library database on Kela's website. The Information Service participated in co-operation with the Ministry of Social Affairs and Health Administrative Sector information services and special libraries.

International co-operation

During the year under review, Kela was actively involved in making preparations for implementation of the new Regulation on co-ordination of social security in the EU. Kela was also closely involved in the preparations for the implementation of the Electronic Exchange of Social Security Information (EESSI), both in the EU and in the process coordinated by the Ministry of Social Affairs and Health in Finland.

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 preparation 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.

Report by the Board of Directors 2009

With you throughout life – supporting you through times of change

As a result of a rapid deterioration of the economic situation in Finland, there was an increase in the number of benefit applications, particularly those concerning unemployment security and housing allowance benefits. The need for customer advice also increased. The Board has, in its meetings, using the reviews presented by the Director-General as a basis, monitored the application situation and the processing times. In March 2009, the Board of Directors revised the 2009-2012 operational and financial plan so that insurance regions were provided with more resources for managing the increasing number of benefit applications. The additional resources were based on an estimate on how the economic downturn impacts Kela's workload.

Kela has no plans to permanently adjust its personnel resources in accordance with the downturn. During the planning period 2010-2013, the person-work-year framework will be put on a normal basis, making use of the exit turnover. By providing additional resources, continuous monitoring and 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.

Risk management

The Board of Directors approved Kela's risk management plan for 2009 on 27 November 2008. It focuses on uniform benefit processes, organisation of decision procedures and customer service, expertise, keeping information systems up to date, ensuring the currency and development of service channels and information security.

Based on the occurrence of risks in 2009, it can be stated that Kela was able to address risks in such a way that strategic-level risks with a critical impact on the achievement of goals did not materialise.

In the plan for 2010, approved by the Board in November 2009, the focus of risk management is on expertise, developing information systems and keeping them up-to-date and making contingency plans for interruptions in money transactions.

Overall responsibility for risk management lies with the Director-General and the Board of Directors. The Board of Directors assesses risk management on an annual basis and approves the risk management plan, which encompasses all Kela operations. Management is responsible for the implementation of risk management.

Kela honoured with the Recognised for Excellence award in the Finnish quality competition

In 2009, Kela took part in the Finnish quality competition in the category for public and non-profit corporations. Kela did quite well, receiving the Recognised for Excellence award in its series.

According to the feedback report of the competition, the fact that Kela has transformed itself from a payer of pensions into a service provider and an IT-expert shows that the organisation is viewed as a trusted leader. Kela has been systematically developing a customer-oriented service approach and has also involved customers in the service development process. It became clear during the evaluation visits to Kela that the entire staff are enthusiastic about the development work and strongly committed to it. Openness and transparency are another proof of the high quality of Kela's operations.

Other Kela operations in 2009

The Board of Directors met 11 times during the year. The Board also held a strategy seminar, in which strategic targets were developed. The Board also held two in-depth evening training sessions. The Director-General has provided Board meetings with detailed reports of topical events, which have also covered the monitoring of the progress of the 2009-2012 operational and financial plan.

The Board approved Kela's operational and financial plan, its project portfolio for 2010-2013, the Kela scorecard for 2010 and concluded a performance agreement for 2010 with the Director-General. The operational and financial plan includes 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 2010.

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 that Kela provides is clearly-defined, of high quality and reasonably measured.

As part of Kela's service development plan, the Board will also examine the use of different service channels and, using the analyses as a basis, will make the necessary changes to the service channels (including the network of branch offices). The Board decided to close 16 branch offices as of 1 January 2010. The Board decided to merge a number of insurance districts, and as a result, their total number was reduced by nine. From 1 January 2010, Kela has had 29 insurance districts, 235 branch offices, 18 sub-offices and 88 joint service points.

It was decided to establish an interpretation unit for the disabled in the Insurance Region for Southwestern Finland as of 1 September 2009. The unit will be located in Turku and will have the status of an insurance district.

With the retirement of Director Asko Apukka on 1 August 2009, the division of labour between the directors was changed so that the Office Services Department was made the responsibility of Director Matti Puhakka.

Funding

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

Kela's overall expenditures amounted to EUR 12,214 million in 2009. Benefit expenditures accounted for EUR 11,786 million and administrative expenses for EUR 428 million of this total. The administrative expenses include a share transfer of EUR 41.1 million to the pension liability fund. Overall expenditures increased by 6.3% over the previous year.

Income and government supplementary funding to the national pension insurance fund totalled EUR 12,093 million.

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 2009. The market value of the shares of the national pension insurance fund before the transfer of shares worth EUR 41.1 million to the pension liability fund made in connection with the financial statements increased by almost 23% (compared with a fall of almost 52% in the previous year). The return of the pension liability fund before the above-mentioned share transfer also amounted to +23% (compared with a negative return of 36% in the previous year). On account of the weak economic situation, Kela saw its dividend income fall from EUR 56 million in 2008 to EUR 28.8 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 726 million (compared with EUR 789 million in the previous year). The fact that the European Central Bank had pushed its key interest rate to record low levels, the average interest rate of the liquid assets dropped to 0.90% (compared with 4.26% in 2008).

Funding national pension insurance

Benefit expenditures totalled EUR 3,355 million, while administrative expenses amounted to EUR 126 million. Benefit expenditures were 2.9% higher than in the previous year. Of the expenditures, EUR 679 million was funded through employers' national pension insurance contributions and EUR 2,614 million through government contributions to benefits and administrative expenses. In 2009, the government helped to ensure the minimum level of the national pension insurance fund by providing a total of EUR 130 million in supplementary funding.

The employers' national pension insurance contribution was reduced by 0.801 percentage points as of 1 April 2009 and was abolished completely on 1 January 2010.

Funding national health insurance

Health insurance benefits totalled EUR 4,148 million. Earnings security insurance benefits accounted for EUR 2,106 million and medical expenses insurance benefits for EUR 2,042 million of this amount. Administrative expenses came to EUR 182 million. National health insurance income totalled EUR 4,240 million.

Earnings security insurance includes daily sickness allowance, daily parental allowance, rehabilitation allowance and occupational health care, excluding reimbursements by the Student Health Foundation. Benefits paid from the earnings security insurance increased by 6.0% compared with the previous year. The earnings security insurance is jointly funded by the employers, employees, entrepreneurs and the state. Kela received a total of EUR 1,414 million in employers' health insurance contributions and EUR 556 million in employees' and entrepreneurs' daily allowance contributions. Government contribution totalled EUR 119 million.

The medical expenses insurance covers compensations paid for medical care, such as reimbursements for medicinal products and rehabilitation services. Benefits paid from the medical expenses insurance increased by 2.5% compared with the previous year. Funding for medical expenses insurance is divided equally between the insured and the state. Medical expenses insurance contributions from employees, entrepreneurs and beneficiaries came to EUR 1,069 million. Central government contributions to the medical expenses insurance benefits and the administrative expenses arising from the scheme totalled EUR 1,048 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 and the child maintenance allowance are paid from this fund. The last-mentioned was transferred from municipalities to Kela on 1 April 2009.

In 2009, the benefits paid from the social security general fund totalled EUR 4,283 million, while administrative expenses came to EUR 120 million. Benefit expenditures increased by 10.6% compared with the previous year. Government funding accounted for EUR 3,693 million of the fund's benefit expenditures and for all of its administrative expenses. A total of EUR 21 million in employees' unemployment insurance contributions was used to fund unemployment security. Municipalities paid Kela EUR 426 million for child daycare allowance and EUR 143 for labour market subsidy.

Administrative expenses

Administrative expenses, excluding the share transfer of EUR 41.1 million to the pension liability fund, came to EUR 387.2 million in 2009. This was 3.8% more than in the previous year. Administrative expenses totalled EUR 428.3 million, which accounted for 3.5% of the overall expenditures.

The administrative expenses were 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 22%, 47% and 31% of the total, respectively.

Salaries and remunerations amounted to EUR 182.2 million, representing an increase of 10.1% over the previous year. Personnel-related expenses totalled EUR 100.1 million. Share transfers accounted for EUR 41.1 million of this total.

Other administrative expenses came to EUR 83.6 million. IT expenses accounted for EUR 26.3 million of this, down 3.8% on the previous year. Depreciation of fixed assets was EUR 10.9 million, and income-reducing administrative expenses totalled EUR 10.3 million.

A total of EUR 61.8 million was paid for outsourced services, with the largest item being tax costs payable to the Finnish tax administration.

Pension liability fund

Kela's actuarial full pension liability for its personnel totalled EUR 1,696.7 at the end of the year. Current pensions accounted for EUR 795 million of this sum. The full pension liability increased by EUR 96 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 36.2 million. The coverable pension liability at the end of 2009 totalled EUR 731.9 million. In addition to this, the pension liability fund contained assets worth EUR 251.2.

A total of EUR 73.7 million was paid to the pension liability fund in employer's contributions. Of this total, EUR 41.1 million was covered by share transfers from the national pension insurance fund. The fund was also paid EUR 9.1 million in employees' pension contributions, EUR 2.5 million of which was used to increase coverage for the pension liability.

Kela paid a total of EUR 67.3 million in employment-based pensions, which represents a 10.9% increase over the previous year.

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

National pension insurance contributions	2008	2009	2009	2010
Private sector ¹		I–III	IV–XII	
Class I contributions	0.801	0.801	0.00	0.00
Class II contributions	3.001	3.001	2.20	0.00
Class III contributions	3.901	3.901	3.10	0.00
Public sector	1.851	1.851	1.05	0.00
National health insurance contribution				
All employers	1.97	2.00	2.00	2.23

¹ 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

	2008	2009	2010
Employees and entrepreneurs insured under the Farmers' Pension Act (MYEL)			
medical expenses ¹	1.24	1.28	1.47
daily allowance ²	0.67	0.70	0.93
Entrepreneurs insured under the Self-Employed Persons' Pension Act (YEL)			
medical expenses ¹	1.24	1.28	1.47
daily allowance ²	0.81	0.79	1.05
Recipients of pensions and benefits			
medical expenses ¹	1.41	1.45	1.64

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

² % of taxable earned income and entrepreneurs' earnings.

Outlook

The best service – easily and locally

Uniform customer-oriented service

A customer-oriented service approach will also be central to us in the future. The goal is to make doing business at 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. Convenience also involves actively guiding the customer to the most suitable service channel.

Knowing what the customers want is a prerequisite for good service. At the same time, customer relationship management will assume an increasingly important role in the future. Customer surveys and systematic compilation and analysis of customer feedback are the keys to the best possible service. The valuable information obtained from customer panels makes it easier for us to provide even more customer-oriented services. Service takes into consideration people in varying life situations. Special-needs groups also receive the service specifically designed for them.

Service close to home

Keeping service close to home means alternative service channels and an extensive service network. The traditional visit to a Kela office is now a multi-channel transaction. Telephone and web-based services are always close to the customer. An adequate network of branch offices will also remain important. Office transactions will still be required in the future, primarily in customer contacts requiring special expertise. A reservation system is being introduced to support office service.

Co-operation

Smooth-functioning networks with stakeholder groups will be increasingly important for Kela in the future. We will maintain strong relationships of trust with our network partners by involving them in target-oriented co-operation so that we can provide our joint customers with high-quality service.

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 in the development of Kela's operations and its 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. Each Kela employee provides a model for good service. Decisions, letters and forms, a uniform visual image and other communications products, such as

our Internet website, leaflets and magazines, also help to convey an image of our service approach.

Tasks

Throughout Kela's history of over 70 years, it has always taken on new responsibilities. On account of such factors as advanced information systems, Kela is deemed to have the best chances to organise services so that they are comprehensively available to its customers and that the operations are managed in accordance with uniform nationwide criteria.

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

Kela will also be given new responsibilities in the future. For example, according to the proposals of the committee reforming Finland's social security (Sata Committee), Kela should be made responsible for such schemes as the support for informal care.

Information technology

Kela's expertise in information technologies is also trusted at the international level. For example, Kela has been selected as a partner to the six EU member states piloting the Union's new Electronic Exchange of Social Security Information (EESSI) architecture.

With the help of advances in information technology, we can speed up the development of our services in the coming years. 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.

Skilled personnel

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.

With you throughout life – supporting you through times of change

Kela will remain an active player in society and a strong expert in a variety of fields, including the preparation of legislative amendments proposed by different ministries. Kela wants to be with people throughout their lives and support them through times of change and, in accordance with its values, provide the best possible service, now and in the future.

Finances

Kela's expenditures are expected to reach EUR 12.9 billion in 2010, or slightly more than 5% above the 2009 levels. The interpretation service for the disabled is the latest benefit for which Kela will assume responsibility. It will be transferred from municipalities to Kela on 1 September 2010.

A total of 182 parents received adoption grants for covering the costs of international adoptions.



Kela Governance 1 January 2009

Act on the Social Insurance Institution and Kela service regulations

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

Kela's 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 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, i.e. four years.

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

Board of Directors

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

The Board of Directors consists of a maximum of ten members 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. One of the Board members is a representative of the Ministry of Social Affairs and Health, one a representative of the central employer organisations, one of the central organisations of trade unions, and one of the Central Union of Agricultural Producers and Forest Owners. The Board's term of office is three years. The Board currently has 10 members. A representative of the personnel is entitled to attend and has a voice at Board meetings.

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

The Board usually meets on a monthly basis.

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

Committees set up by the Board

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

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

The Audit Committee supervises and leads internal audits and their coordination with the auditing of the accounts. The members of the Audit Committee include the Chair of the Board of Directors as the Chair, and, as members, the Director-General, the Director-General's deputy, the Supervisory Auditor and the Director of Internal Audit, who also acts as the secretary for the Committee. 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 Finland upon recommendation by the Trustees. The President of Finland appoints one of the Directors as the deputy for the Director-General. The eligibility requirements for the Director-General and the Directors are laid down by Government decree. The State Civil Servants Act (750/1994) applies, where appropriate, to the employment relationships of the Director-General and the Directors.

Under section 7 of the Act, Kela's Board of Directors has approved the delegation of responsibility between the Director-General and the Directors. Section 9, 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, the Board of Directors concludes a performance agreement with the Director-General, using the operational and financial plan as a basis. 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

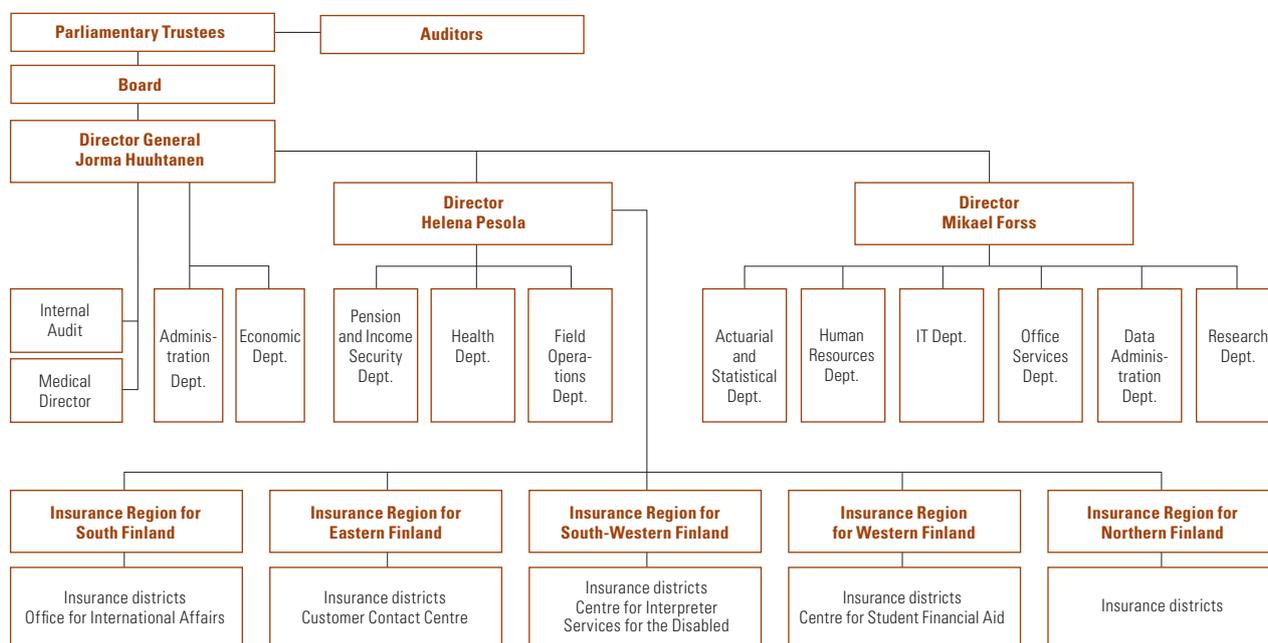
Under section 5 of the above-mentioned Act, the Trustees choose the necessary number of auditors and approve service regulations for them. There are currently eight auditors. The auditors have appointed one of the auditors as the Supervisory Auditor, who submits a quarterly supervisory report to the 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's organization 1 March 2010



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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
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Ympäristömerkkity painotuote



Kela 

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

