



The Unemployment Insurance Fund  
**ANNUAL REPORT**

**2013**

# Content

The Unemployment Insurance Fund in brief	3
The Fund's finances in 2013	4
Managing Director's review	8
Tasks of the Unemployment Insurance Fund	11
Investment activities	14
Risk management	16
Management in 2013	18
Events after the end of the financial year	20
Financial statements	21
Notes to the financial statements 31 December 2013	24
Notes to the income statement	26
Notes to the balance sheet	30
Signatures	33
Auditors' Report	34

# The Unemployment Insurance Fund in brief

The Unemployment Insurance Fund (TVR) launched its operations in 1999. It is an independent institution governed by labour market parties and is supervised by the Ministry of Social Affairs and Health and the Financial Supervisory Authority (FIN-FSA). The main task of the Unemployment Insurance Fund is to finance unemployment benefits. The Fund also steers, develops and monitors the implementation of the collection procedure of unemployment insurance contributions, and determines and collects the employer's liability component within the unemployment insurance contribution. In addition, the Fund will begin processing employers' training compensations. Training compensation is based on the Act on Compensations for Training (1140/2013).

The operations of the Fund are financed by investment returns and unemployment insurance contributions collected from employers and

employees. Until the end of 2012, accident insurance institutions were tasked with the collection of unemployment insurance contributions. The Unemployment Insurance Fund took over this collection from unemployment insurance contributions from the beginning of 2013.

The Unemployment Insurance Fund carries out the prepayment of financing contributions to the single unemployment funds in monthly intervals on the basis of the applications submitted to the Fund. In addition, the Unemployment Insurance Fund processes and carries out the prepayment of government contributions on behalf of the single unemployment funds.

The operations of the Unemployment Insurance Fund are based on the Act on the Financing of Unemployment Benefits (555/1998), the Decree on the Financing of Unemployment Benefits (1176/1998) and the Decree on the Regulations of the Unemploy-

ment Insurance Fund (862/1998), as amended.

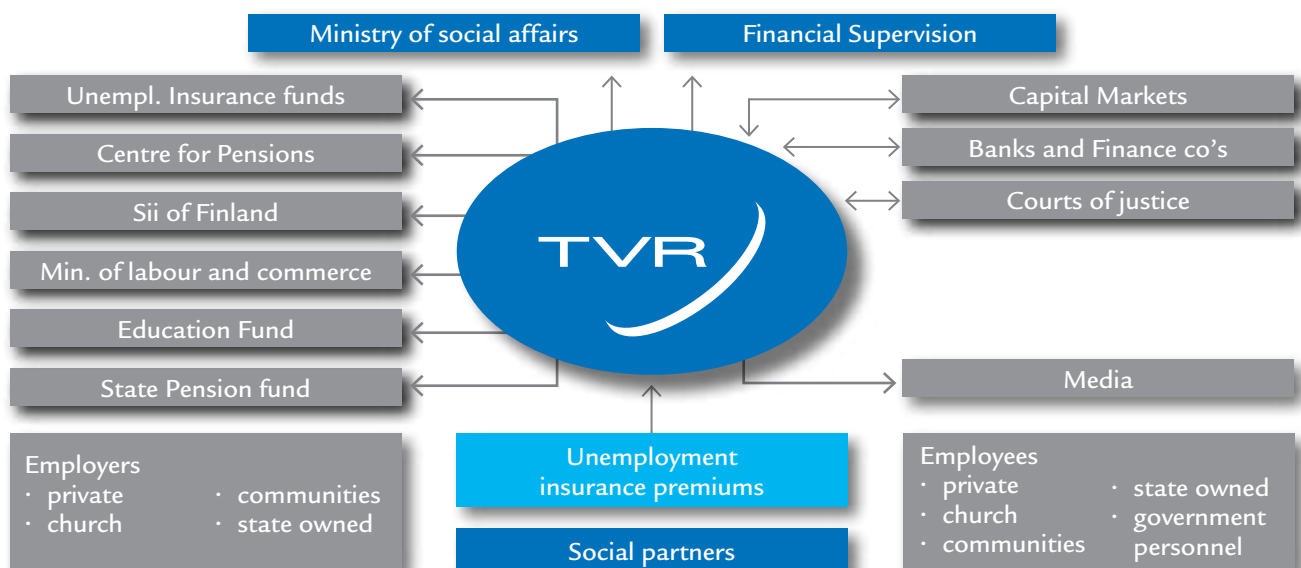
## Mission

The Unemployment Insurance Fund handles the financing processes of the unemployment insurance system and all its other duties in a reliable and correct manner, benefiting from internal expertise and the Fund's central market position. The Fund also promotes collaboration amongst unemployment insurance system actors for the purpose of improving the system's performance.

## Vision

The Unemployment Insurance Fund is a specialist in earnings-related unemployment security, and is a reliable and respected partner. The Fund strives to promote positive development trends for employment through supporting the functionality of the labour market.

## Business environment



# The Fund's finances in 2013

- The financial year's surplus amounted to EUR 78 (291) million
- Return on investment equalled 0.2% (0.9%)
- The buffer fund totalled EUR 662 (585) million at the end of 2013
- A total of EUR 3,186 (2,764) million of funded benefits were paid
- Income from unemployment insurance contributions totalled EUR 2,221 (2,155) million

The figures for 2012 are given in parentheses. The classifications of figures presented in the annual report have been reviewed, so the reference figures are not entirely comparable.

## Weaker than expected result for the Fund

In 2013, the financial development of the Unemployment Insurance Fund was weaker than anticipated. Realised expenses exceeded the budget by approximately EUR 100 million. The unemployment rate increased somewhat, and income from unemployment insurance contributions corresponded to the forecast amount.

As a whole, unemployment costs exceeded the level of 2012. The lia-

bilities of the Fund increased in direct proportion to the growth of unemployment. Contribution accrual increased slightly, which corresponds to the modest growth of the total payroll amount.

Finland's economic situation remained poor in 2013. Total industrial production continued to shrink, due to weak demand in most sectors.

The Fund's real income amounted to EUR 3,261 (3,047) million and expenses EUR 3,186 (2,764) million. The financial year's surplus amounted to EUR 78 (291) million. A surplus of EUR 185 million had been provided for in the budget.

The size of the Unemployment Insurance Fund's buffer fund equalled EUR 662 (585) million at the end of 2013, which is equivalent to slightly less than three months' expenses.

The Fund's liquidity remained good in 2013, as the buffer fund and positive cash flow were sufficient to finance expenses. The uncertainty on the financial market was still reflected in the Fund's investment activities, with a considerable amount of funds being directed into high-liquidity, low-yield investments.

The planning and steering of the Unemployment Insurance Fund's finances are largely based on forecasts on how the unemployment rate, unemployment expenses, the employment rate and the wage sum amount develop. In normal conditions, the Fund must set the insurance contributions at a level sufficient to cover all projected expenses.

The amounts of unemployment insurance contributions are specified for one year at a time. When the contribu-

tions are changed, the employers' and employees' contributions are changed by the same percentage.

The forecast deviation resulting from the remainder of the budget drawn up in the August preceding the financial year and the financial statements drawn up at the end of the financial year has averaged EUR 150 million per year (6–10% of expenditure) over the last five years. In 2013, the forecast deviation was smaller than average.

Since 2011, unemployment insurance contribution amounts have been ratified through a procedure, by which the Unemployment Insurance Fund makes a proposal for the amounts of the following year's contributions to the Ministry of Social Affairs and Health by the end of August (Act on the Financing of Unemployment Benefits, Section 18(6)). This schedule is earlier than the one used before 2011, which increases the uncertainty of the following year's economic and employment forecast. The unemployment insurance contribution rates are ratified by Parliament on the basis of the government proposal. The proposal for contribution amounts can be amended during the parliamentary proceedings.

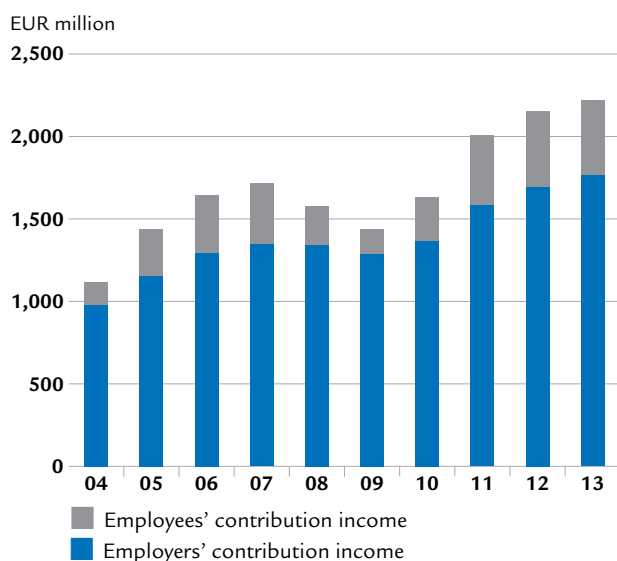
The Supervisory Board of the Unemployment Insurance Fund approved the Fund's budget for 2013 on 30 August 2012. No changes to unemployment insurance contributions were proposed, since the projected increase in expenditure could be financed by the increase in insurance contribution income.



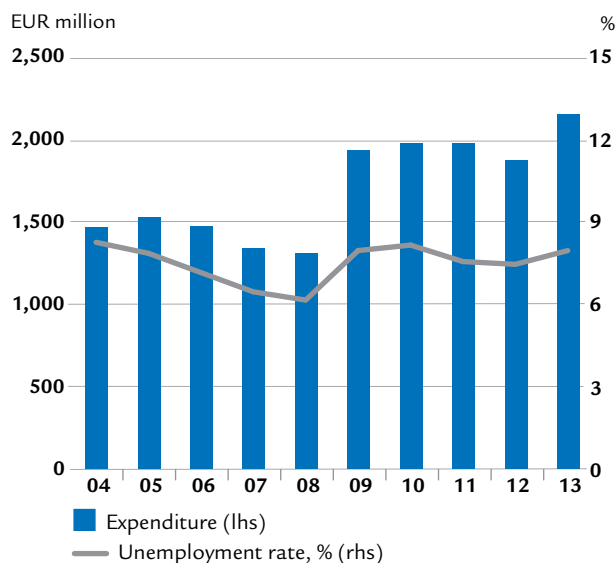
## Key figures

	2013	Change, %	2012	2011	2010	2009
Insurance contribution income	2,221	3	2,156	1,985	1,622	1,431
Government of Finland	1,039	17	891	740	943	706
Contribution rates						
- Employees' contribution	0.60	0	0.60	0.60	0.40	0.20
- Employers' contribution, lower	0.80	0	0.80	0.80	0.75	0.65
- Employers' contribution, higher	3.20	0	3.20	3.20	2.95	2.70
Total expenditure, EUR million	3,156	14	2,741	2,696	2,914	2,638
- Unemployment funds (TVR)	1,326	16	1,140	1,210	1,253	1,291
- Unemployment funds (Gov. of Finland)	1,039	17	891	740	943	706
- Finnish Centre for Pensions (pension insurance supplement)	640	15	556	597	594	553
- Education Fund	72	18	61	52	32	22
- Social Insurance Institution of Finland KELA	62	9	57	64	41	21
- Ministry of Employment and the Economy (pay security)	33	12	29	27	28	29
- Administrative expenses	7.1	16	6.1	3.8	3.7	3.7
Surplus/deficit	78		291	41	-338	-460
Investment return	0.2		0.9	1.4	1.4	3.0
Buffer fund, EUR million	662	13	585	293	251	590
- Money market investments	422	6	339	210	173	390
- Bonds	337	12	302	150	121	237
- Equities	4	-20	1	5	5	11
- Other investments	12	33	5	9	9	8

## Insurance contribution income

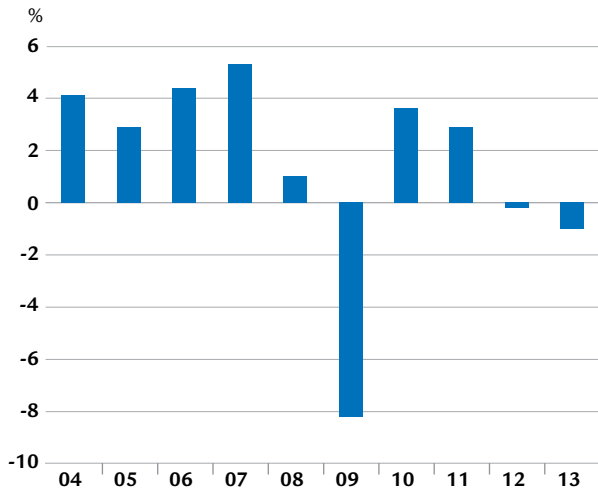


## Expenditure development

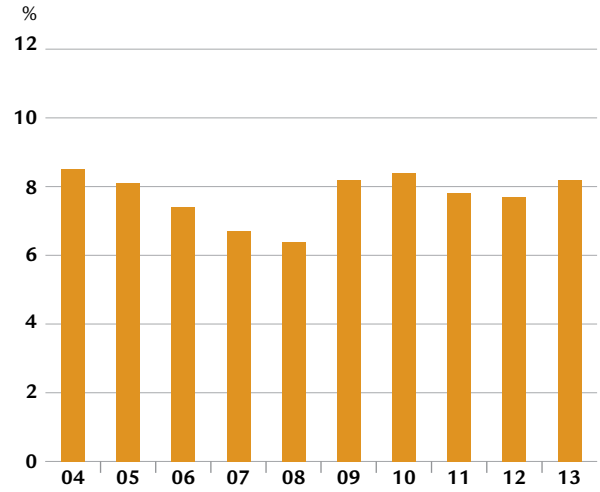


## The Fund's finances in 2013

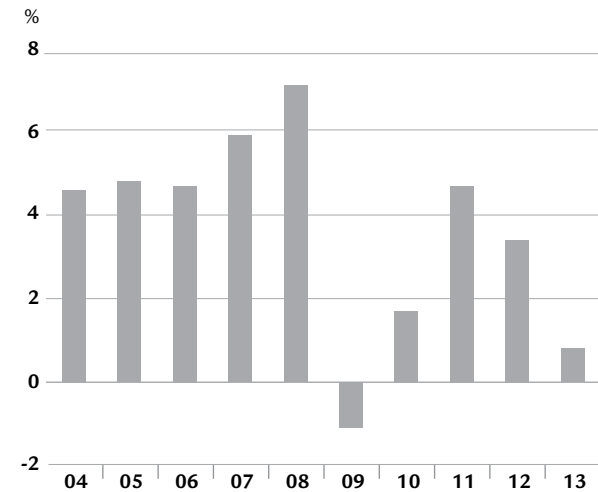
### GDP growth



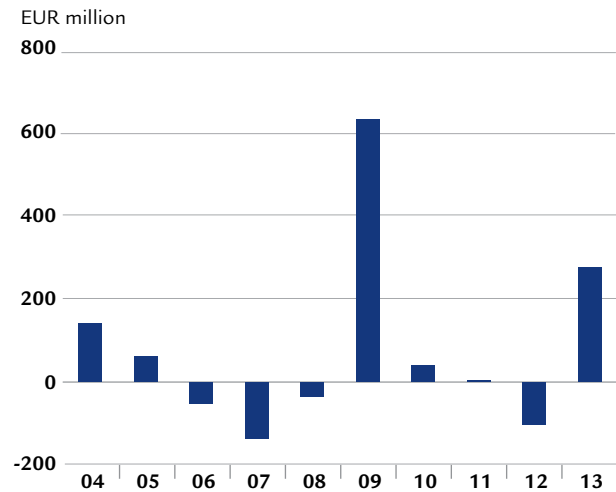
### Unemployment rate



### Change in wage sum amount



### Change in benefits (TVR)





## Reduction of unemployment insurance contribution rates proposed for 2014

On 27 August 2013, the Unemployment Insurance Fund submitted its proposal to the Ministry for Social Affairs and Health, recommending the reduction of both employers' average contributions and employees' unemployment insurance contributions by 0.1 percentage point for 2014. The reduction of contribution rates for 2014 had also been on the table in the 2013–2016 Pact for Employment and Growth

negotiations of labour market confederations.

At the same time, the Fund proposed an additional cut to the employers' contribution, since the income from the employers' liability component had exceeded forecasts. This had resulted in the employers' average contribution growing by comparatively more than the employees' unemployment insurance contributions.

Parliament ratified a government proposal to this effect at the end of November 2013. The higher contribution rate for universities was not reduced for 2014, however, and it remained at 2.35 per cent.

## Administrative expenses of the Fund

The Fund's administrative expenditure amounted to EUR 7.1 (6.2) million. The expenses grew due to the expansion of operations and an increase in personnel. Furthermore, expenditure was also increased by the determination and collection of unemployment insurance contributions, implemented for the first time during the reporting year.

# Managing Director's review

## Growth of unemployment costs is eating into the buffer fund

**F**or the Unemployment Insurance Fund, 2013 was a good year both financially and operatively. The Fund's financial statements still indicated a slight surplus, and the buffer fund was buttressed to approximately EUR 660 million. We also saved the planned EUR 10 million in operating costs when we took over the determination and collection of unemployment insurance contributions.

However, 2014 has begun on a different note. This will be a hard year for the Fund's finances. The deficit may reach nearly EUR 500 million.

Key factors behind this development include the growth of the unemployment expenses financed by the Fund, and a reduction in income caused by the lowering of unemployment insurance contribution rates. This would still leave a little under EUR 200 million in the buffer fund at the end of 2014, but reasons of solvency require the Unemployment Insurance Fund to seek loan financing in the autumn of this year.

If unemployment expenditure remains at the currently projected level in 2015, loan financing in the region of EUR 600 million will be required next year. This loan requirement can only be mitigated by a considerable improvement in the employment situation, or by an unemployment insurance contribution increase of no less than 0.2 percentage points.

The Board and Supervisory Board of the Unemployment Insurance Fund will thus have a great deal to ponder

at the end of August, when the Fund will prepare its proposal for the contribution rates for 2015. At that time the realised expenditure up to July will be known. Perhaps the prospects for the future will be brighter as well.

The Unemployment Insurance Fund has carried out its duties meticulously and efficiently in 2013. The determination of unemployment insurance contribution amounts for 2013 was successful, and income from contributions matched the forecast. We were also faced with many new things, such as determining the final contributions for 2013 in the spring of 2014. In one year, we will begin granting the new training compensations for employers, processed in connection with the final contributions for 2014.

The liability of large employers for the dismissal of employees aged 56 and over continued to burden the Fund, but the number of decisions remained stable from last year. The income accrued from contributions also remained below the level of the previous year. The workload caused by the Employment Contracts Act remained unchanged, as the courts continued, according to established practice, requesting statements from the Fund in civil actions arising from the termination of employment.


The duties of the Unemployment Insurance Fund have been increasing since 2001. Over the same period, the number of personnel employed by the Fund has increased from two to 82 at the end of 2013. This increase

in personnel has also resulted in the Unemployment Insurance Fund and Education Fund finding new, more spacious offices. The change is alleviated by the fact that the new premises are located close to our current address. Moving to new premises also presents an opportunity to develop the Fund's operations.

In the autumn of 2013, the Board of the Unemployment Insurance Fund decided to begin updating the Fund's strategy. The intention is to review the effects on operations of the increase in the Fund's duties and the known and potential changes in our operating environment.

The objective of this strategy work is to develop the operations and organisation of the Unemployment Insurance Fund and to increase cooperation with the Education Fund. The work is slated for completion in the autumn of 2014. It is a valuable thing to have a Board who are actively interested in the development of the Fund. I would like to extend my heartfelt thanks to the Board members for this.

In 2013, the personnel of the Unemployment Insurance Fund have been tried by its new and more numerous duties. They have passed the test commendably. The excellent results of the occupational well-being survey conducted in 2014 indicate that we have not only succeeded in the discharge of our duties, but also in building a good work community. This will spur us on to even better results.



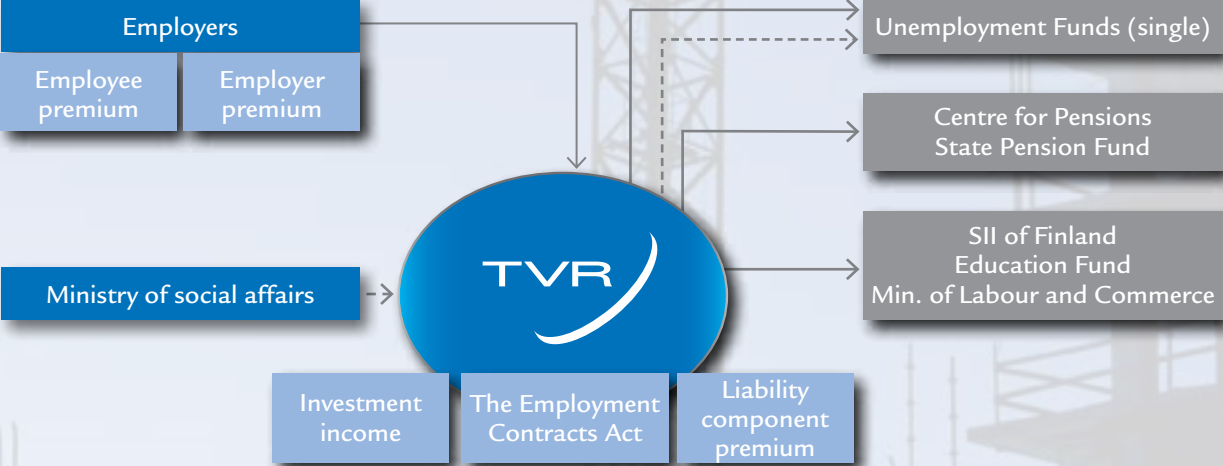
**Heikki Pohja**  
Managing Director





Photo: Pekka Sipola

### Cashflows in TVR



# Tasks of the Unemployment Insurance Fund

## Funded unemployment benefits

By virtue of the Act on the Financing of Unemployment Benefits (555/1998) and with regard to the funding of earnings-related unemployment benefits, the Unemployment Insurance Fund is liable for the costs incurred from basic unemployment allowances, employment promotion measures and job alternation compensations, insofar as the state or specific unemployment funds are not liable for these. The above-mentioned benefits are paid from the single unemployment funds. Adult education allowances are paid from the Education Fund. The Unemployment Insurance Fund is also liable for the unemployment insurance contributions of unemployed persons and recipients of an adult education allowance, paid to pension insurance institutions through the Finnish Centre for Pensions.

According to the Decree on the Implementation of the Act on Unemployment Funds (272/2001), the processing of prepayment applications and the decision on ordering payment, together with monitoring the sufficiency of prepayments fall within the duties of the Unemployment Insurance Fund. The Fund makes prepayments to single unemployment funds twice a month, on the first banking day of the month and on the date falling closest to the 15th banking day of the month.

The Fund also forwards the prepayments of government contributions to single unemployment funds on the first banking day of each month. In 2013, the Ministry of Social Affairs and Health paid the government contributions as fixed monthly prepayments to the Fund, unless otherwise provided

for in the proposal of the Unemployment Insurance Fund. The government contribution is entered in the Fund's income and expenses.

In 2013, there were 32 (32) single unemployment funds operating in Finland, of which two served entrepreneurs. The average earnings-related unemployment allowance paid by these funds was EUR 66.97 (62.24) per day.

A total of EUR 1,326 (1,140) was paid to the single unemployment funds in subsidies in 2013. In addition, the Fund forwarded EUR 1,039 (891) million to the unemployment funds as the contribution of the Ministry of Social Affairs and Health. The state continued to fund the basic unemployment allowance portion of lay-off support in 2013, which increased state expenditure and correspondingly reduced the Fund's expenses.

In accordance with the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund is liable for costs incurred from additional days added to an employee's unemployment security. Single unemployment funds pay these additional allowances to their members, to the funding of which the state does not contribute at all. An unemployed person becomes eligible for additional employment security days if he or she turns 59 before having accumulated 500 earnings-related unemployment allowance days. For those born in 1955 or after, this age limit is increased to 60 years, and to 61 years for those born in 1957 or after.

The Unemployment Insurance Fund has sole responsibility for funding the supplementary allowance and change security supplement paid in addition to the basic unemployment

allowance. These benefits are paid by single unemployment funds and KELA both. Approximately EUR 17 (15) million was spent on funding the change security supplement. KELA paid EUR 1.6 (1.3) million in the corresponding supplementary allowances. These benefits were funded by income from employers' contributions.

By virtue of Section 19a of the Act on Unemployment Funds (556/1998) and in order to even out the unemployment burden prevailing in different industries, within the limits of an appropriation decided by the Supervisory Board each year, the Fund pays a membership fee equalisation payment to those wage-earners' funds that have paid significantly more unemployment benefit days in the previous year than the average per member for all unemployment funds. The balance of the unemployment fund's equalisation fund may also be taken into account in determining the membership fee equalisation payment. The Board of the Fund has also paid attention to the level of membership fees in relation to other unemployment funds and to changes in membership fees in the two previous years.

A total of EUR 10 (10) million was spent on equalisation payments in 2013. Calculated from the benefit expenditure of the single unemployment funds, the monetary amount spent on equalisations amounted to 0.47% (0.43%), the prescribed maximum being 0.75%. In 2013, membership fee equalisation payments were made to eight wage-earners' funds, compared to six in 2012. Changes in the funds' membership fees in 2013 and 2012 were also taken into account in the equalisation decisions.

## Tasks of the Unemployment Insurance Fund

### Funding of the accumulated pensions of unemployed persons and recipients of job alternation compensation and adult education allowance

The second largest expense item of the Unemployment Insurance Fund has been the contribution made to the Finnish Centre for Pensions to cover the liability and costs arising when periods of unemployment, training and job alternation are taken into account (Employees Pensions Act (395/2006), Sections 74 and 182). The amount of this contribution is determined by estimating the average amount of pension contributions that would be paid for the unpaid periods that constitute the basis of the accumulated pension security.

The book value of this expense, based on the estimate of the Finnish Centre for Pensions, was EUR 640 (556) million in 2013. The contribution was paid as a prepayment in 2013. The final amount of the contribution for 2013 will be confirmed retrospectively by the Ministry of Social Affairs and Health during 2014.

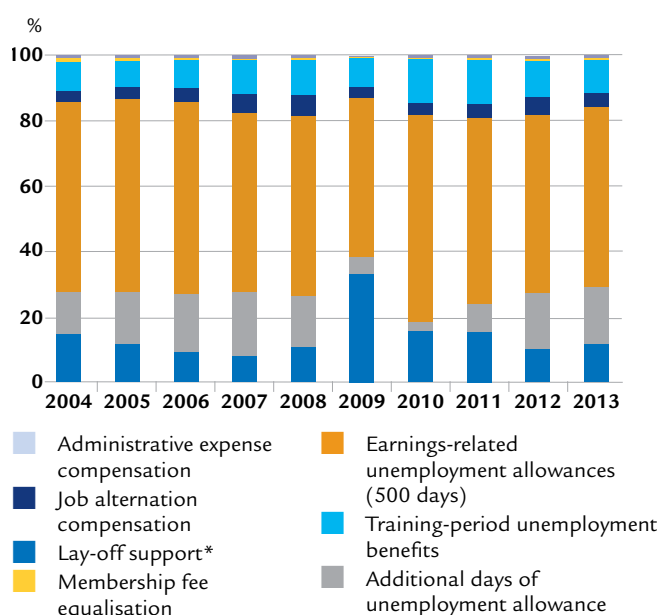
As stated above, the Unemployment Insurance Fund is liable to pay the contribution provided for in Sections 62 and 133 of the State Employees' Pensions Act (1295/2006) to the State Pension Fund. In 2013, the Unemployment Insurance Fund's contribution amounted to EUR 6.7 (5.7) million. In 2014, the Ministry of Social Affairs and Health will confirm retrospectively the amount of the contribution for 2013.

### Settlement to KELA of income from the unemployment insurance contributions of employees who are not members of an unemployment fund

By virtue of Sections 8 and 23 of the Act on the Financing of Unemployment Benefits (555/1998), the Fund settles to KELA an annual amount from employees' unemployment insurance contribution income, corresponding to the percentage of employees who are not members of an unemployment fund. The amount of this settlement is estimated from data collected by Statistics Finland, and the estimate is confirmed by the Ministry of Social Affairs and Health. In 2013, the settlement percentage was 13.2% (12.3%). A total of EUR 62 (57) million was paid in prepayments.

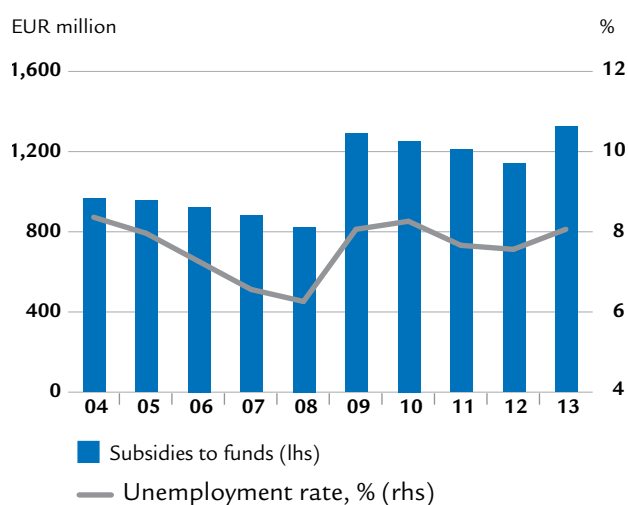
### Shares of unemployment benefits, %

Calculated from expenditure funded by TVR



\* The state contributed to the funding of lay-off expenses in 2010, 2012 and 2013

### Subsidies to funds (TVR's share)





## Funding of the Education Fund's benefits and operations

In accordance with Section 13 of the Act on the Education Fund (1306/2002) and Section 30 of the Act on Adult Education Support (1276/2000), the Unemployment Insurance Fund is responsible for the funding of the earnings-related part of adult education allowances, the scholarships paid for qualified employees, and the administrative costs of these subsidies. The benefits are paid from the Education Fund. In 2013, the Unemployment Insurance Fund paid a contribution of EUR 72 (61) million to the Education Fund. The growth of the contribution is due to the drastic growth of adult education expenditure. This is a result of the significant increase made to the amount of the allowance in 2010 and

the consequent and on-going growth in the numbers of applicants and beneficiaries.

Cooperation with the Education Fund was developed further in 2013. Human resources, information systems and premises are shared systematically, and this has improved the cost-effectiveness of the operations of both funds.

## Pay security funding

By virtue of Section 31 of the Pay Security Act (866/1998), the Unemployment Insurance Fund is liable for the state's pay security expenditure. Pay security expenses are paid once per year, normally in March of the following year, to the Ministry of Employment and the Economy, based on an invoice sent by the Ministry. In 2013, pay security costs amounted to EUR 33 (29) million.

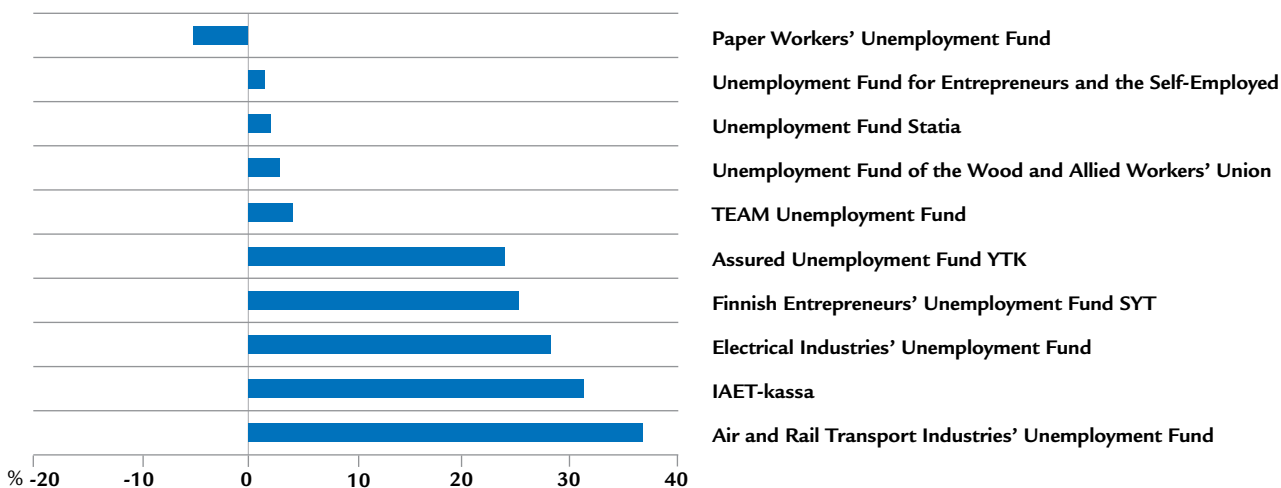
## The Fund's role in EU coordination

Article 65 of Regulation (EC) No 883/2004 of the European Parliament and of the Council on the coordination of social security systems (basic regulation) provides for situations in which a person becomes unemployed after working in a Member State other than his or her country of residence.

In Finland, the Unemployment Insurance Fund has been designated as the competent body when implementing this basic regulation with regard to earnings-related unemployment insurance. The Fund's duties include the payment and collection of the compensations provided for in paragraphs 6 and 7 of Article 65, incurred from basic unemployment allowance paid to members of single unemployment funds. In 2013, the Fund paid EUR 49,916 (102,369) in such compensations and received EUR 119,027.

## Benefits paid by unemployment funds

Largest changes in 2013, %



# Investment activities

The situation in the investment market gradually stabilised in 2013. The determined monetary revival efforts of central banks and the retention of interest rates at a historically low level encouraged many investors to invest in riskier assets.

The interest rate differences in the public loans of euro countries gradually diminished and the fluctuation of the stock market calmed down. This positive trend persisted for the entire year, despite basic economic factors such as production volumes, investments and employment remaining poorer than average.

The Unemployment Insurance Fund's investment plan had made provisions for an unstable economic climate in 2013. This led to a low-risk portfolio, and the emphasis on security continued in the allocation of investments. The ratio of investments with higher yield potential remained small. The prolonged low interest rate level also had an effect on the

## ROI at market value

Index yield in the market in question

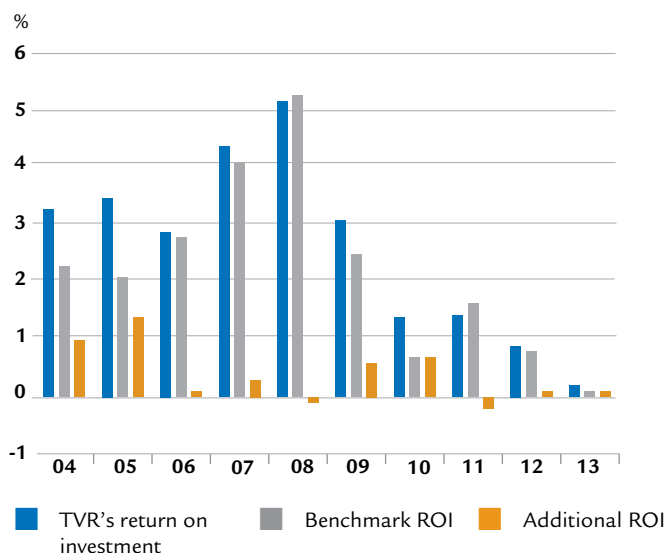
	2013	2012	2011	2010	2009
	%	%	%	%	%
Domestic equities	31.6	15.5	-24.7	29.8	44.5
European equities	16.4	17.6	-7.8	12.7	32.2
Asian equities	-3.7	20.0	-11.7	29.2	63.6
Money market	0.3	1.1	1.3	0.6	2.1
Bonds (Germany, 1-3 years)	-0.1	0.5	2.7	2.2	4.2
Bonds (Eurozone, long-term)	2.1	10.6	1.2	1.2	4.3
<b>Total assets of TVR</b>	<b>0.2</b>	<b>0.9</b>	<b>1.4</b>	<b>1.4</b>	<b>3.0</b>

Fund's return on investment, which remained below average in 2013.

The investment plan was revised during the year, and the Fund invested actively in financial-market instruments, bonds and, to a lesser degree, equities. At the end of the financial

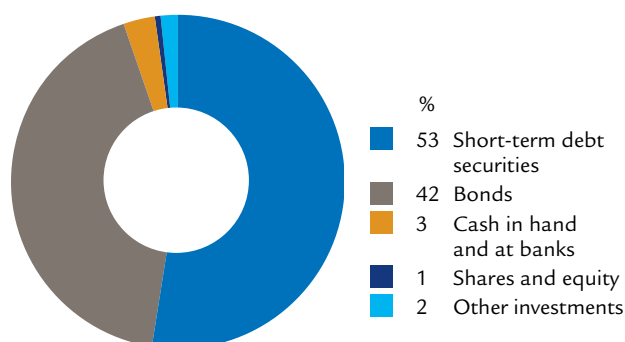
year, EUR 422 (339) million of the Fund's capital was invested in short-term debt securities, EUR 337 (302) million in bonds, 1 (1) million euros in equities and equity funds, and 15 (5) million euros in other investments. Return on investment and

## Return on investment



## Investment spread, 31 December 2013

EUR 800 million in total





## Unemployment insurance contributions

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Employers, avg. %	1.93	2.17	2.29	2.29	2.06	1.94	2.13	2.27	2.32	2.38
Employees, avg. %	0.25	0.50	0.58	0.58	0.34	0.20	0.40	0.60	0.60	0.60

financial income amounted to EUR 3 (8) million.

In 2013, the Fund achieved a return of 0.2 per cent on invested capital. This was clearly lower than the long-term average, but nevertheless acceptable in the light of the prevailing conditions in the financial market. The Fund's return on investment exceeded the financial market income, used as the benchmark, by 0.1 percentage points.

The portfolio management of the Unemployment Insurance Fund was organised in the usual manner, with the Fund's office managing liquid debt securities and the management of long-term securities spread between external asset managers and the Fund.

### Buffer fund and financial position

In accordance with Section 3 of the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund maintains a buffer fund generated from the difference between the Fund's income and expenditure, in order to safeguard the Fund's solvency and even out changes in unemployment insurance contribution rates caused by predictable trend cycles in the national economy. The maximum size of this buffer is the amount of annual expenses corresponding to an unemployment rate

of five per cent. During times of severe recession, the Fund may maintain a deficit equal to the amount of expenditure corresponding to this unemployment rate.

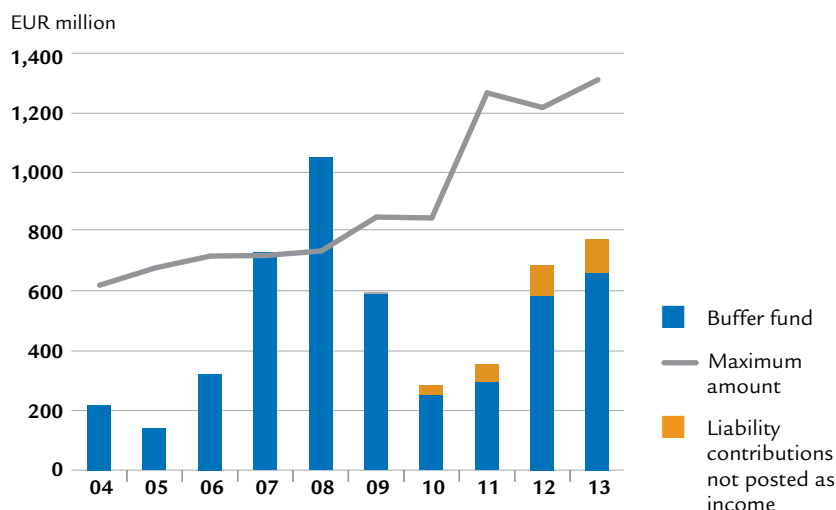
The maximum size of the buffer is calculated by dividing the annual expenditure that the Unemployment Insurance Fund is liable for, EUR 2,147 million in 2013, by the year's average unemployment rate (8.2) and multiplying the result by 5. In 2013, the maximum size of the buffer, provided for in legislation, was EUR 1,309 million.

The amount of investment and financial assets possessed by the

Fund at the end of 2013 amounted to EUR 868 (794) million. The accumulated surplus, i.e. the buffer fund, equalled EUR 662 (585) million.

According to the budget for 2014, approved by the Unemployment Insurance Fund's Supervisory Board on 30 August 2013 and delivered to the Ministry of Social Affairs and Health on 30 August 2013, the size of the buffer fund would be approximately EUR 379 million on 31 December 2014. In drawing up the financial statements, the amount of funds in the buffer fund at the end of 2014 was estimated at EUR 350 million.

### Buffer fund development



# Risk management

The purpose of risk management is to identify and manage risks that could endanger the solvency of the Unemployment Insurance Fund or the continuity of its operations, or that could have a detrimental effect on the prerequisites for the Fund's operations or the implementation of its strategy.

Another objective of risk management is supporting the achievement of strategic goals by monitoring the risks faced by the Fund, in order to ensure that they remain in proportion to the Fund's objectives and risk-bearing capacity. The Fund seeks to identify key risks in the risk management plan and limit them to a level where their realisation will not jeopardise the Fund's financial

position, continuity of operations or trust in its operation.

The Unemployment Insurance Fund is integrally linked to the Finnish national economy. For this reason, the unimpeded discharge of the Fund's key duties must be safeguarded in all circumstances. The Fund's finances are mainly managed through the regulation of unemployment insurance contribution amounts, determined on an annual basis. Maintaining unemployment insurance contributions at an appropriate, steady level is one of the Fund's core strategic goals.

The Fund employs a buffer fund to avoid fluctuations in unemployment insurance contribution amounts, and the size of this buffer

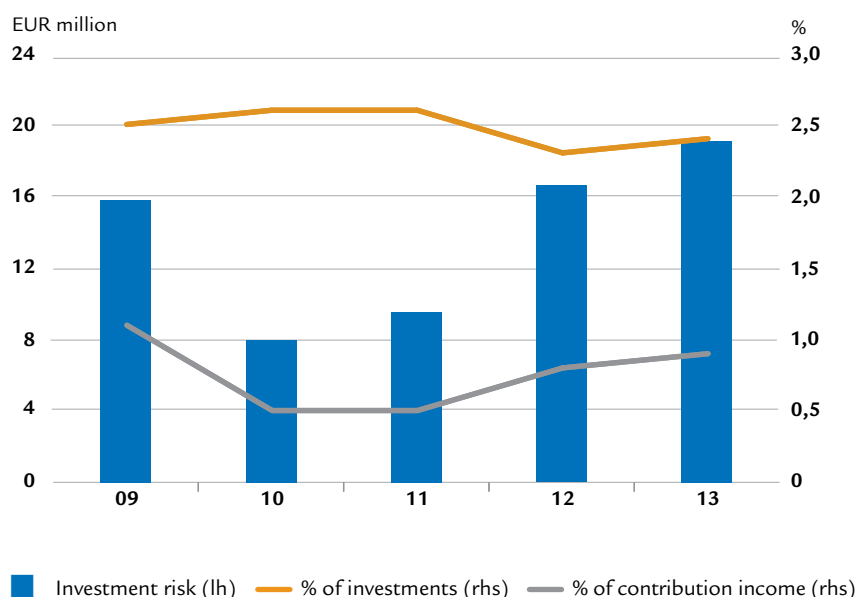
has a material impact on the Fund's risk-bearing capacity. The buffer fund grew somewhat in 2013, but remained smaller than the maximum amount prescribed in legislation.

The Fund seeks to limit investment risks to a level where their realisation will not result in significant losses for the Fund, which would create pressure to increase contributions or endanger the liquidity of the Fund. The investment operations and risk limits of the Unemployment Insurance Fund are provided for in more detail in the investment principles approved by the Supervisory Board and the investment plan approved by the Board.

As a rule, the market risk of investments is measured by the stress test method, in which a risk indicator expressed as annual volatility is assigned to each investment class on the basis of historical fluctuations in value. In 2013, the risk indicator was 25% (30%) for equity investments, 4% (4%) for bond investments, and 1% (1%) for financial-market investments.

The principal risks faced by the Unemployment Insurance Fund relate to the sufficiency of the buffer fund, the ability to react to changes in the operating environment, and the availability and retention of human capital. The Fund seeks to ensure the sufficiency of the buffer fund by setting unemployment insurance contribution rates to a level sufficient to provide security, using diverse forecasting methods. During periods of recession, the buffer may become negative, in which case solvency must be ensured, at least in part, by the acquisition of loan financing. The amount of funds

## Investment risk





in the buffer fund is evaluated both absolutely and in relation to the Fund's expenses. At the end of 2013, the buffer contained funds equal to the expenditure of three (two) months.

The Funds seeks to manage the risk related to change through competent anticipation of predictable changes in the operating environment. This requires active communication with stakeholders and, in particular, political decision-makers.

The risk related to human capital is managed, for example, through deputy arrangements and up-to-date recovery and readiness plans.

## Information management and information systems

In recent years, the significance of information management and information systems has increased in the Fund's operations. The Fund manages its information internally and maintains the information systems used for critical functions, with the exception of a few outsourced functions and off-the-shelf software suites. This is the most efficient method for producing the services required for the Fund's duties and for ensuring continuity. The continuity of the Fund's operations has been ensured by locating the Fund's backup system in a separate, secure hardware room away from the Fund's offices. A copy of the Fund's information systems is updated in the backup system in nearly real time.

In 2013, the Fund continued developing the information system for the collection of unemployment

insurance contributions, deployed in 2012. The Fund has also further improved the reliability and efficiency of all information systems.

Information management and information systems have been separated into their own units: Data

Administration, responsible for the information management infrastructure, and Information Systems and Research, responsible for the development and maintenance of information systems.



# Management in 2013

## Supervisory Board

On 9 December 2010, based on the proposal of the labour market parties, the Government appointed the members of the Supervisory Board for the term 1 January 2011–31 December 2013. In 2013, the membership of the Supervisory Board included

Chairman Riku Aalto, Finnish Metalworkers' Union	SAK
Vice President Teija Asara-Laaksonen, JHL	SAK
CEO George Berner, Berner Oy	E K
CEO Magnus Holm, Saint-Gobain Weber Oy Ab	E K
Chairman of the Board Kimmo Hovi	MTA
Development Director Minna Karhunen, City of Järvenpää	K T
Managing Director Ritva Laakso-Manninen, Haaga-Helia Oy	E K
SVP, Human Resources Riitta Laitasalo, Kesko Oyj, until 30 June 2013	E K
Managing Director Aki Lindén, HUS	K T
Director Salla Luomanmäki, Akava Special Branches	Akava
Chairman of the Board Mikko Merivirta, Cafetering Oy	E K
Chairman of the Board Mikko Mäenpää	STTK
CEO Ilkka Mäkelä, Saarioinen Oy	E K
Chairman of the Board Antti Rinne, Pro	STTK
Chairman of the Board Ann Selin, PAM	SAK
SVP, Human Resources Ari Svensk, Kesko Oyj, from 1 September 2013	E K
Chief Justice of the Administrative Court Liisa Talvitie, Administrative Court of Vaasa	Ki T
Chief Executive Pekka Toivonen, Municipality of Kangasniemi	K T
CEO Antti Zitting, Sacotec Components	E K

Mikko Mäenpää served as Chairman of the Supervisory Board with George Berner as Vice-Chairman. The Supervisory Board convened on three occasions in 2013.

## Board

On 30 August 2012, the Supervisory Board appointed the members of the Board for 2013, based on the proposal of the labour market parties. On 9 April 2013, the Supervisory Board granted the resignation request of STTK's representative, Markku Salomaa, and appointed Minna Helle in his place on 28 May 2013. On 27 August 2013, the Supervisory Board granted the resignation request of EK's representative Jaana Lehto and the resignation request of SAK's representative Nikolas Elomaa on 31 August 2013. At the same time, the Supervisory Board appointed Pekka Hotti (EK/Chemical Industry) and Lauri Lyly (SAK) as new Board members from 1 September 2013.

Director Jukka Ahtela	E K
Director, Negotiations and Social Policy Nikolas Elomaa –31 August 2013	SAK
President Sture Fjäder	Akava
Director, Negotiations and Social Policy Minna Helle 17 June 2013–	STTK
Deputy Director General Pekka Hotti 1 September 2013–	EK/Chemical Industry
Labour Market Director Markku Jalonen	K T
Director, Education and Training Jaana Lehto –31 August 2013	E K
President Lauri Lyly 1 September 2013–	SAK
Chief Negotiator Jorma Palola	K T
Economist Joonas Rahkola	SAK
Senior Expert Vesa Rantahalvari	E K
President Veli-Matti Rekola	MTA
Director, Negotiations and Social Policy Markku Salomaa –31 March 2013	STTK
Expert Seppo Saukkonen	E K
Labour Market Director Risto Voipio	Ki T

Jukka Ahtela was nominated Chairman of the Board with Nikolas Elomaa as Vice-Chairman until 31 August 2013, succeeded by Lauri Lyly on 1 September 2013. The Board convened 11 times in 2013.

On 27 August 2013, the Board of the Fund decided to begin updating the Fund's strategy, and the work will continue in 2014.



## Management group



President and  
Managing Director  
**Heikki Pohja**



Deputy Managing  
Director  
**Tapio Oksanen**



Director,  
Legal Affairs  
**Jorma Skippari**



Director,  
Insurance  
**Juho Oksanen**



Administration  
Manager  
**Leena Ahtela**

## Auditors

Authorised Public Accountants PWC Oy served as the Fund's auditor. Authorised Public Accountant Juha Wahlroos was in charge of the audit.

The internal audit of the Fund was carried out by Authorised Public Accountants BDO, with Chartered Public Finance Auditor Helge Vuoti in charge of auditing.

# Events after the end of the financial year

## The economy and investment operations

The contraction of the Eurozone economy was halted towards the end of 2013. On the contrary, the poor development of the Finnish economy has continued in the early months of 2014, which has been reflected in the labour market as increased unemployment. According to information published by the Ministry of Employment and the Economy, the number of unemployed persons at the beginning of 2014 had increased by 36,000 from the corresponding period in 2013. The amount of benefits paid by unemployment funds has increased further, and the 10 per cent growth forecast in the budget for unemployment expenditure in 2014 will most probably be exceeded.

The Fund seeks to continue investing the funds in the buffer fund in a profitable and secure manner, taking the difficult market conditions into account. In 2014, the amount of cap-

ital available for investment will vary by clearly more than the average. The Fund's cash flow will remain positive in early 2014, but expenditure will exceed income in the summer and autumn, and the buffer fund will shrink. These developments pose considerable challenges to investment operations, from the perspectives of both return and risk. It is highly likely that the deficit of EUR 270 million previewed in the budget will be exceeded, i.e. the buffer fund will shrink by an even greater amount in 2014.

## Determination and collection of unemployment insurance contributions

The determination and collection of unemployment insurance contributions has continued according to plan in early 2014.

Employers reported the realised wage sums of 2013 on wage sum

reports by the end of January 2014. The customer service contacts caused by wage sum reporting greatly exceeded the estimated volume. As a result, the unemployment insurance contribution customer service was congested in January 2014, and the availability of customer service fell short of the target level.

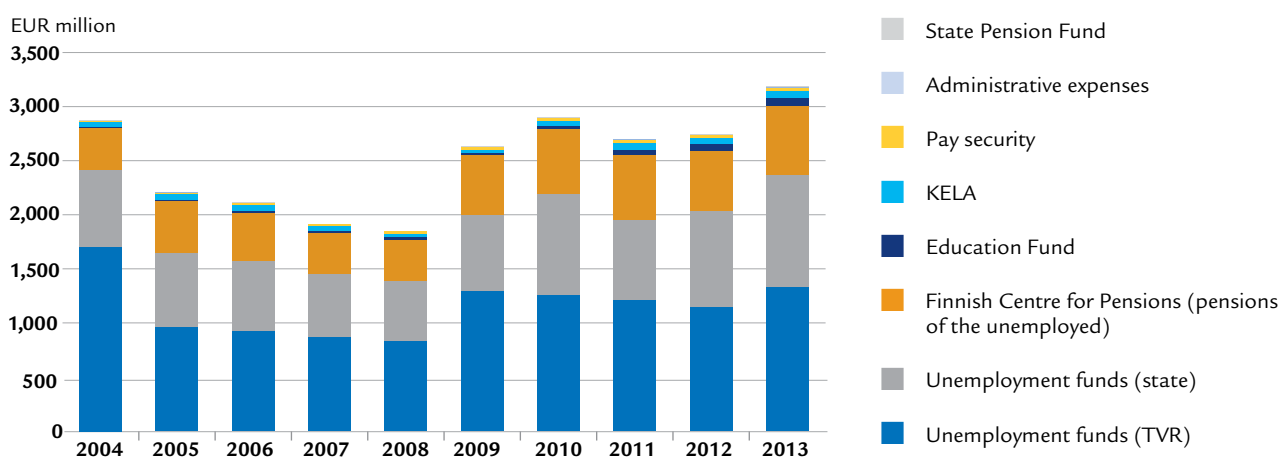
## Employers' liability component in unemployment allowances

The number of new liability matters processed in 2014 is estimated at 14,500 (10,900), with the number of payment decisions projected at 3,600 (3,300).

Seven employees are tasked with the actual work of processing and deciding liability component matters in the Fund. In 2013, the average processing period for liability payment decisions was 96 days, while the target was 90 days.

## Total expenditure of the Unemployment Insurance Fund

Expenditure has increased by 72% from 2008



# Financial statements

Income statement	22
Balance sheet	23
Notes to the financial statements 31 December 2012	24
Notes to the income statement	26
Notes to the balance sheet	30
Signatures	33
Auditors' report	34

# Income statement

	NOTE	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
		€	€
<b>INCOME REFERENCE</b>			
Employers' unemployment insurance contributions			
Unemployment insurance contributions	1	1,693,929,513.89	1,647,253,587.17
Penal interest	2	830,516.77	430,105.32
<b>Total income from employers' contributions</b>		<b>1,694,760,030.66</b>	<b>1,647,683,692.49</b>
Employees' unemployment insurance contributions			
Unemployment insurance contributions	3	457,023,105.48	459,146,666.70
Penal interest	4	245,503.37	156,465.35
<b>Total income from employees' contributions</b>		<b>457,268,608.85</b>	<b>459,303,132.05</b>
<b>Collection fee income</b>	5	<b>343,363.16</b>	<b>0.00</b>
<b>MSAH income</b>	6	<b>1,039,061,705.96</b>	<b>891,077,304.41</b>
<b>Compensations provided for in the Employment Contracts Act</b>	7	<b>348,900.06</b>	<b>603,040.51</b>
<b>Liability component income</b>	8	<b>68,858,072.31</b>	<b>48,051,593.84</b>
<b>Total real income of the Fund</b>		<b>3,260,640,681.00</b>	<b>3,046,718,763.30</b>
<b>EXPENSES</b>			
Finnish Centre for Pensions	9	-639,507,030.09	-555,555,459.00
State Pension Fund	10	-6,675,879.54	-5,727,029.50
Social Insurance Institution of Finland KELA	11	-61,965,785.55	-57,320,956.11
Education Fund	12	-71,900,499.03	-61,400,000.00
Ministry of Employment and the Economy, pay security	13	-32,540,887.89	-29,451,223.03
Unemployment funds (TVR)	14	-1,326,441,045.80	-1,140,118,644.93
Unemployment funds (MSAH)	15	-1,039,061,703.89	-891,077,304.41
Member State invoicing for unemployment allowances	16	69,110.95	-102,369.25
Insurance companies, management compensations	17	-641,117.59	-16,899,542.65
Administrative expenses of the Fund	18	-7,058,044.96	-6,161,177.45
<b>Total real expenses of the Fund</b>		<b>-3,185,722,883.39</b>	<b>-2,763,813,706.33</b>
<b>SURPLUS/DEFICIT BEFORE INTEREST</b>		<b>74,917,797.61</b>	<b>282,905,056.97</b>
<b>INVESTMENT AND FINANCING OPERATIONS</b>			
Return on investment	19	17,991,677.45	13,411,722.77
Investment expenses	20	-15,517,182.32	-8,313,585.39
<b>Net return on investment</b>		<b>2,474,495.13</b>	<b>5,098,137.38</b>
Interest rates assigned by the Finnish Centre for Pensions and State Pension Fund	21	521,553.80	4,080,108.45
Loan financing expenses	22	-309,501.08	-709,592.59
<b>Other financial income and expenses</b>		<b>212,052.72</b>	<b>3,370,515.86</b>
<b>SURPLUS/DEFICIT FOR THE FINANCIAL YEAR</b>		<b>77,604,345.46</b>	<b>291,373,710.21</b>

# Balance sheet

	NOTE	1 Jan–31 Dec 2013 €	1 Jan–31 Dec 2012 €
<b>ASSETS</b>			
NON-CURRENT ASSETS			
<b>Intangible assets</b>	23	<b>134,190.12</b>	<b>131,219.53</b>
<b>Tangible assets</b>	24	<b>603,625.70</b>	<b>673,769.48</b>
Investments			
Real estate shares	25	3,054,584.30	3,054,584.30
Listed shares	26	4,749.48	0.00
Equity funds	27	672,227.72	708,020.91
Bonds	28	337,179,919.70	302,280,435.31
Financial-market investments	29	421,808,717.44	339,180,707.61
Bond funds	30	12,130,090.29	2,128,981.86
<b>Total investments</b>		<b>774,850,288.93</b>	<b>647,352,729.99</b>
CURRENT ASSETS			
Financial assets			
Cash in hand and at banks	31	24,880,268.46	67,510,288.62
Prepayments and accrued income	32	57,892,119.31	65,154,662.95
Insurance contribution receivables	33	3,498,128.78	4,068,679.82
Sales receivables	34	7,251,869.64	10,447,127.40
<b>Total financial assets</b>		<b>93,522,386.19</b>	<b>147,180,758.79</b>
<b>TOTAL ASSETS</b>		<b>869,110,490.94</b>	<b>795,338,477.79</b>
<b>LIABILITIES</b>			
SURPLUS/DEFICIT			
For previous years		584,658,150.17	293,284,439.96
For financial year		77,604,345.46	291,373,710.21
<b>Accumulated surplus/deficit</b>		<b>662,262,495.63</b>	<b>584,658,150.17</b>
CREDITORS			
Accrued charges and deferred credits	35	185,542,065.80	200,561,933.97
Insurance contribution liabilities	36	21,305,929.51	10,118,393.65
<b>Total creditors</b>		<b>206,847,995.31</b>	<b>210,680,327.62</b>
<b>TOTAL LIABILITIES</b>		<b>869,110,490.94</b>	<b>795,338,477.79</b>

# Notes to the financial statements 31 December 2013

## Principles used for drawing up the financial statements

### 1. General information

The domicile of the Unemployment Insurance Fund (business ID 1098099-7) is Helsinki and address Kansakoulukuja 1, 00100 Helsinki, Finland. The Board approved the financial statements for 1 January–31 December 2013 in its meeting of 18 March 2014.

### 2. Preparation principles

#### Income statement and balance sheet

The income statement of the Unemployment Insurance Fund is a settlement of accounts that describes from where and on what grounds the Fund has obtained funds, and for which purposes prescribed by legislation and regulations the funds have been used.

#### Buffer fund

The Unemployment Insurance Fund's buffer fund consists of the surplus/deficit accumulated into the Fund at the time of drawing up the financial statements.

#### Principles used for entering income

Unemployment insurance contribution prepayments are determined in the year preceding the insurance year, and entered as income according to their due dates. Payments realised during the insurance year are entered directly as income. The insurance contributions paid by the Fund in accordance with the unemployment insurance contribution invoicing for 2014 have been entered into accrued income and charges and converted into net income and charges insofar as the payments were not made in 2013.

Insurance contribution income collected by insurance companies for 2012 is entered on the basis of the companies' monthly reports. In their monthly reports, insurance companies report the calculated interest and penal interest on the unemployment insurance contributions accumulated during the month. The companies then pay these interests to the Fund according to agreement. Thus, in the

monthly report for December, an insurance company will report the amounts and agreed interest on insurance contributions it has collected by the end of December.

The income statement includes the insurance contributions accumulated by insurance companies in December, which will be paid to the Fund in the following year.

Income from employers' liability components have been evenly accrued over four years. Of the income accumulated during 2010–2013, 25% has been entered as income for 2013.

#### Receivables subject to debt-collection

The Unemployment Insurance Fund collects and enforces neglected unemployment insurance contributions, those subject to enforcement, and contributions due by companies in bankruptcy or debt restructuring proceedings. The collection and enforcement of contributions due in 2012 or before is managed by insurance companies as authorised by the agreement between the Fund and the Federation of Accident Insurance Institutions. The insurance companies settle accumulated insurance contributions in their monthly reports.

Thus, insurance contributions subject to debt-collection or enforced collection are not included in the Fund's contribution income or insurance contribution receivables for 2013.

#### Principles for entering expenses

##### Subsidies to single unemployment funds

Prepayments for unemployment fund contributions are paid to the funds on a monthly basis, in accordance with the budget approved at the end of the previous financial year. TVR receives monthly statistics from the Financial Supervisory Authority on the accumulated allowances paid by the funds to their customers, based on which the Fund has accrued the prepayments and realised payments to each fund either as receivables or debt in its accounts. This accrual is performed by benefit type.

The funds for the government contribution paid to unemployment funds are received from the Ministry of Social Affairs and Health. The income received from the

Employers' unemployment insurance contributions subject to debt-collection, 1,000 €

	2013	2012
Overdue	951	1,034
In voluntary debt-collection	3,928	3,572
In enforcement	2,450	1,970
<b>Total</b>	<b>7,328</b>	<b>6,576</b>

Employees' unemployment insurance contributions subject to debt-collection, 1,000€

	2013	2012
Overdue	837	597
In voluntary debt-collection	2,563	1,365
In enforcement	1,747	1,427
<b>Total</b>	<b>5,147</b>	<b>3,389</b>





ministry and expenses paid to the funds have been entered in amounts corresponding to the payments made by the funds to their customers.

The Ministry for Social Affairs and Health will confirm the financial statements of the single unemployment funds on the basis of final information in the summer of 2014, at which time the Fund will make the equalisations in account balances between the employment funds and state.

### **Invoicing of unemployment allowances between Member States**

Income and expenses from unemployment allowance invoicing between Member States are accounted on a cash basis.

### **Payments to the Finnish Centre for Pensions and State Pension Fund and their interest rates**

Payments made to the Finnish Centre for Pensions for the financial year by virtue of Section 12c of the Employees Pensions Act (561/1998) are based on an estimate provided by the Finnish Centre for Pensions, amended in connection with preparing the financial statements. The difference between payments made and the amended estimate are entered as accrued income or charges. The payments are presented without interest on the income statement. The final payment amount is received from the Finnish Centre for Pensions in the spring of the year following the financial year, and the difference between the final payment and payment estimate used in the financial statements is presented as an adjustment, an equalisation payment for the previous year, on the following year's financial statements. The year's revised prepayment and the previous year's equalisation payment are itemised in the notes to the financial statements.

The Finnish Centre for Pensions assigns interest to charges ordered for TVR according to the calculated TyEL interest. The revised payments included on the financial statements are assigned interest until the end of the financial year (debiting interest). The Finnish Centre for Pensions refunds the interest to TVR according to the real payments and their dates (compensatory interest). The final payment amount determined in the following year is assigned interest until the clearance date agreed between the Finnish Centre for Pensions and TVR (previous year's debiting interest). Compensatory interest is correspondingly calculated for all payments made by TVR in the previous year (compensatory interest for the previous year's payments). The debiting and compensatory interests for payments to the State Pension Fund are calculated in a manner identical to the above.

The assignation of debiting and compensatory interest for the financial year and the preceding year is itemised in the notes, and the net sum of such interest is presented on the income statement under the item "Interest rates

assigned by the Finnish Centre for Pensions and the State Pension Fund".

### **Intangible and tangible assets**

In its financial statements, the Unemployment Insurance Fund applies depreciation according to plan. Depreciation is calculated according to the useful life of the fixed asset in question. The renovation costs for the Fund's offices have been accrued over a useful life of 10 years, and those of ICT equipment, software and office furniture over three years.

### **Investment valuation**

#### **Shares and equity funds**

Shares are entered at cost. Valuation is performed by portfolio and share, according to the lowest-estimate principle. If a security's market value on the date of closing the accounts is less than its book value, the book value will be written down to the market value. This write-down is entered into investment expenses. Readjustment of write-downs is calculated from changes in the value of shares of the same type and entered into investment income.

#### **Bonds**

Bonds are entered at cost. If the acquisition cost is higher than the nominal value, the above par value will be accrued as an investment income reduction over the term to maturity. Since bonds are intended to be held until maturity, no write-downs will be made if their market value falls below the book value.

#### **Index-linked bonds**

Bonds whose return is linked to an underlying asset in addition to return on interest are valued according to the lowest-value principle, on the basis of the quotation provided by the issuer. The sum of the values of the bond and underlying asset is used as the asset's market value at year's end.

#### **Financial-market investments**

Financial-market investments are entered and presented at cost. The fair value of certificates of deposit and commercial papers is considered equal to their market value calculated with Euribor. The fair value of other financial-market investments is considered to be equal to their acquisition cost.

#### **Deposits in currency**

At the time of closing the accounts, the Fund has deposits in Danish kroner (DKK), whose exchange rate risk has been hedged through forward exchange contracts for both capital and interest.

# Notes to the income statement

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
	€	€
<b>1 Employers' unemployment insurance contributions</b>		
Employers' insurance contributions, private	1,686,313,641.55	1,639,504,337.43
Employers' insurance contributions, private co-owners	8,667,444.70	7,749,249.74
Loan losses	-1,051,572.36	0.00
<b>Total insurance contributions</b>	<b>1,693,929,513.89</b>	<b>1,647,253,587.17</b>
<b>2 Employers' insurance contributions, penal interest</b>		
Penal interest	892,389.39	482,940.17
Penal interest, co-owners	21,461.30	10,621.58
Penal interest, insurance companies	0.00	-57,921.23
Enforcement fees	-3,687.20	-5,535.20
Loan losses	-79,646.72	0.00
<b>Total penal interest</b>	<b>830,516.77</b>	<b>430,105.32</b>
<b>3 Employees' unemployment insurance contributions</b>		
Employees' insurance contributions	455,891,865.27	457,256,595.64
Employees' insurance contributions, co-owners	2,176,810.34	1,890,071.06
Loan losses	-1,045,570.13	0.00
<b>Total insurance contributions</b>	<b>457,023,105.48</b>	<b>459,146,666.70</b>
<b>4 Employees' insurance contributions, penal interest</b>		
Penal interest	297,833.46	157,624.80
Penal interest, co-owners	4,201.81	4,538.10
Penal interest, insurance companies	0.00	-55.05
Enforcement fees	-3,943.70	-5,642.50
Loan losses	-52,588.20	0.00
<b>Total insurance contributions</b>	<b>245,503.37</b>	<b>156,465.35</b>
<b>5 Collection fee income</b>		
Collection fee income	427,876.55	0.00
Collection fees	-24,384.61	0.00
Loan losses	-60,128.78	0.00
<b>Total penal interest and collection fee income</b>	<b>343,363.16</b>	<b>0.00</b>
<b>6 MSAH income</b>		
MSAH basic unemployment allowance	990,650,572.41	840,949,076.42
MSAH job alternation compensation	49,038,867.60	50,637,093.49
MSAH previous year	-627,734.05	-508,865.50
<b>MSAH total income</b>	<b>1,039,061,705.96</b>	<b>891,077,304.41</b>

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
	€	€
<b>7 Compensations according to the Employment Contracts Act</b>		
Income according to the ECA	835,070.69	1,178,425.05
Loan losses	-86,858.62	-13,573.26
	<b>748,212.07</b>	<b>1,164,851.79</b>
Realised ECA income	0.00	867,229.33
Subtractions/additions l.m.	15.49	-13,183.58
Calculated share of MSAH	748,227.56	854,045.75
Settlement to MSAH, 48.76%	-399,327.50	-561,811.28
<b>Total ECA compensations</b>	<b>348,900.06</b>	<b>603,040.51</b>
<b>8 Employers' liability component payments</b>		
Liability component income	70,297,576.84	89,711,350.44
Change in liability component accrual	-7,954,155.55	-41,659,756.60
63+ / pension cases	6,514,651.02	0.00
<b>Total liability component compensations</b>	<b>68,858,072.31</b>	<b>48,051,593.84</b>
<b>9 Finnish Centre for Pensions</b>		
Previous year's equalisation payment	19,492,969.91	47,444,541.00
Payment for the current financial year	-661,500,000.00	-588,200,000.00
FCP capital accrual	2,500,000.00	-14,800,000.00
<b>Finnish Centre for Pensions in total</b>	<b>-639,507,030.09</b>	<b>-555,555,459.00</b>
<b>10 State Pension Fund</b>		
Previous year's equalisation payment	-522,588.54	172,484.96
Payment for the current financial year	-5,880,000.00	-6,180,000.00
SPF capital accrual	-273,291.00	280,485.54
<b>State Pension Fund in total</b>	<b>-6,675,879.54</b>	<b>-5,727,029.50</b>
<b>11 KELA</b>		
KELA/basic allowance for MSAH	-60,158,289.00	-56,000,000.00
KELA/employment programme additional benefit	-270,000.00	-220,000.00
KELA/additional part	-1,600,000.00	-1,300,000.00
Adjustment items, previous year	62,503.45	199,043.89
<b>KELA in total</b>	<b>-61,965,785.55</b>	<b>-57,320,956.11</b>
<b>12 Education Fund</b>		
Previous year's equalisation payment	75,263.51	0.00
Payment for the current financial year	-75,000,000.00	-68,500,000.00
EF capital accrual	3,024,237.46	7,100,000.00
<b>Education Fund in total</b>	<b>-71,900,499.03</b>	<b>-61,400,000.00</b>
<b>13 Ministry of Employment and the Economy</b>		
Contribution for the current financial year, pay security	-32,526,983.44	-29,451,029.05
Adjustment items, previous year	-13,904.45	-193.98
<b>Ministry of Employment and the Economy in total</b>	<b>-32,540,887.89</b>	<b>-29,451,223.03</b>

## Notes to the income statement

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
	€	€
<b>14 Subsidies paid to unemployment funds (TVR)</b>		
Other earnings-related allowance	-728,359,448.08	-619,209,081.83
Additional days' allowance	-233,697,923.27	-198,090,370.39
Lay-off support	-153,907,592.16	-114,492,037.33
Unemployment allowance training benefit	-131,070,386.78	-124,977,165.38
Job alternation compensation	-59,691,964.56	-62,858,496.17
Administrative expense compensation	-10,199,327.00	-10,455,164.00
Membership fee equalisation	-10,000,000.00	-10,000,000.00
Adjustment items, previous year	485,596.05	-36,329.83
<b>Total subsidies (TVR)</b>	<b>-1,326,441,045.80</b>	<b>-1,140,118,644.93</b>
<b>15 Subsidies paid to unemployment funds (MSAH)</b>		
Other earnings-related allowance	-720,242,858.69	-609,346,681.74
Lay-off support	-119,411,957.40	-88,361,244.14
Unemployment allowance training benefit	-133,916,027.98	-128,633,528.09
Job alternation compensation	-49,038,867.60	-50,637,093.49
Unemployment allowance/entrepreneurs	-7,864,273.34	-6,049,952.45
Administrative expense compensation	-9,215,455.00	-8,557,670.00
Adjustment items, previous year	627,736.12	508,865.50
<b>Total subsidies (MSAH)</b>	<b>-1,039,061,703.89</b>	<b>-891,077,304.41</b>
<b>16 Member State invoicing for unemployment allowances</b>		
Invoiced by Member State	-49,915.84	-102,369.25
Invoiced by Finland	119,026.79	0.00
<b>Total Member State invoicing</b>	<b>69,110.95</b>	<b>-102,369.25</b>
<b>17 Management compensations paid to insurance companies</b>		
Employers' unemployment insurance contributions	-440,525.59	-12,778,353.25
Employees' unemployment insurance contributions	-162,563.00	-3,780,751.40
Employers' unemployment insurance contributions/ co-owner	-12,802.00	-238,318.00
Employees' unemployment insurance contributions/ co-owner	-4,977.00	-68,320.00
Enforcement compensations	-20,250.00	-33,800.00
<b>Total management compensations</b>	<b>-641,117.59</b>	<b>-16,899,542.65</b>
<b>18 Administrative expenses of the Fund</b>		
Salaries and remunerations	-2,966,675.31	-2,294,431.47
Pension expenses	-614,207.31	-482,027.49
Other indirect personnel costs	-169,718.18	-108,970.36
<b>Total personnel costs</b>	<b>-3,750,600.80</b>	<b>-2,885,429.32</b>
Management salaries and remunerations		
The Managing Director and his deputy	-267,547.56	-265,153.00
Members of the Board	-70,245.00	-69,505.00
Members of the Supervisory Board	-3,860.00	-4,420.00
<b>Total management salaries and remunerations</b>	<b>-341,652.56</b>	<b>-339,078.00</b>

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
	€	€
Other administrative expenses	-1,962,338.79	-1,971,141.07
IT expenses	-612,821.87	-630,105.16
Depreciations on intangible and tangible assets	-405,922.55	-372,227.83
Internal audit fees	-12,592.20	-38,600.48
Auditors' fees	-7,440.00	-14,760.00
Financial supervision	-20,406.14	-14,350.24
Other income	55,729.95	104,514.65
<b>Total administrative expenses of the Fund</b>	<b>-7,058,044.96</b>	<b>-6,161,177.45</b>
<b>Average number of personnel</b>	<b>82</b>	<b>76</b>
<b>INCOME AND EXPENSES FROM INVESTMENT OPERATIONS</b>		
<b>19 Income</b>		
Interest yield	17,038,287.52	10,986,877.86
Sales profit	675,764.87	2,035,007.31
Other income	36,528.59	42,187.73
Exchange rate returns	27,953.03	0.00
Dividend yield	9,676.97	802.33
Write-down readjustments of sold assets	71,199.55	231,296.16
Readjustment of write-downs for financial year	132,266.92	115,551.38
<b>Total income</b>	<b>17,991,677.45</b>	<b>13,411,722.77</b>
<b>20 Expenses</b>		
Sales losses	-11,974,133.07	-5,647,416.90
Interest expenses	-2,657,167.95	-2,352,190.68
Other expenses	-135,959.93	-111,028.34
Exchange rate losses	-30,299.00	0.00
Write-downs for financial year	-719,622.37	-202,949.39
<b>Total expenses</b>	<b>-15,517,182.32</b>	<b>-8,313,585.31</b>
<b>Net investment income</b>	<b>2,474,495.13</b>	<b>5,098,137.46</b>
<b>21 Other financial income and expenses</b>		
Finnish Centre for Pensions, compensatory interest	38,928,209.21	32,777,595.98
Finnish Centre for Pensions, debiting interest	-38,716,378.21	-29,008,686.62
State Pension Fund, compensatory interest	337,334.26	285,666.28
State Pension Fund, debiting interest	-27,611.46	25,532.81
	<b>521,553.80</b>	<b>4,080,108.45</b>
<b>22 Loan financing expenses</b>		
Credit fees	0.00	-326,437.64
Credit facility charges	-309,501.08	-325,404.78
TVR, interest expenses for commercial papers	0.00	-57,750.17
	<b>-309,501.08</b>	<b>-709,592.59</b>
<b>Other financial income and expenses, total</b>	<b>212,052.72</b>	<b>3,370,515.86</b>

# Notes to the balance sheet

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
	€	€
<b>23 Intangible assets 1 Jan</b>		
Computer programs	131,219.53	130,297.67
increase	141,205.41	137,707.67
./. depreciation	-138,234.82	-136,785.81
<b>Intangible assets 31 Dec</b>	<b>134,190.12</b>	<b>131,219.53</b>
<b>24 Tangible assets 1 Jan</b>		
Opening balance 1 Jan	262,337.36	88,460.15
increase	197,543.95	349,980.45
./. depreciation	-211,240.74	-176,103.23
<b>Closing balance 31 Dec</b>	<b>248,640.57</b>	<b>262,337.36</b>
<b>Office renovation 1 Jan</b>		
Renovation	411,432.12	294,972.24
increase	0.00	175,798.67
./. depreciation	-56,446.99	-59,338.79
<b>Office renovation 31 Dec</b>	<b>354,985.13</b>	<b>411,432.12</b>
<b>Tangible assets 31 Dec</b>	<b>603,625.70</b>	<b>673,769.48</b>
<b>25 Real estate shares</b>		
Market value	3,089,901.00	3,220,095.42
Book value	3,054,584.30	3,054,584.30
<b>Difference</b>	<b>35,316.70</b>	<b>165,511.12</b>
<b>MARKET VALUE AND BOOK VALUE OF INVESTMENTS</b>		
<b>26 Listed shares</b>		
Market value	5,100.00	0.00
Book value	4,749.48	0.00
<b>Difference</b>	<b>350.52</b>	<b>0.00</b>
<b>27 Equity funds</b>		
Market value	679,524.88	744,530.91
Book value	672,227.72	708,020.91
<b>Difference</b>	<b>7,297.16</b>	<b>36,510.00</b>
<b>28 Bonds</b>		
Market value	344,366,970.42	310,054,246.71
Book value	337,179,919.70	302,280,435.31
<b>Difference</b>	<b>7,187,050.72</b>	<b>7,773,811.40</b>
<b>29 Financial-market investments</b>		
Market value	422,458,228.06	340,338,108.66
Book value	421,808,717.44	339,180,707.61
<b>Difference</b>	<b>649,510.62</b>	<b>1,157,401.05</b>

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
	€	€
<b>30 Bond funds</b>		
Market value	12,220,964.00	2,195,034.34
Book value	12,130,090.29	2,128,981.86
<b>Difference</b>	<b>90,873.71</b>	<b>66,052.48</b>
<b>Total investments</b>		
Market value	779,730,787.36	653,331,920.62
Book value	771,795,704.63	644,298,145.69
<b>Difference</b>	<b>7,935,082.73</b>	<b>9,033,774.93</b>
<b>31 Cash in hand and at banks</b>	<b>24,880,268.46</b>	<b>67,510,288.62</b>
<b>32 Prepayments and accrued income</b>		
Finnish Centre for Pensions, compensatory interest	15,031,240.48	13,516,010.40
Ministry of Social Affairs and Health, accrual in 2013	10,983,096.93	0.00
Unemployment funds TVR	9,483,077.13	20,778,595.74
Unemployment funds MSAH	9,068,762.63	14,607,679.04
Interest rate accruals for investments	6,926,073.20	7,675,409.05
Education Fund	3,024,237.46	7,100,000.00
Finnish Centre for Pensions, capital accrual	2,500,000.00	0.00
Investments	521,564.63	425,316.30
Other receivables	354,066.67	1,051,652.45
	<b>57,892,119.31</b>	<b>65,154,662.95</b>
<b>33 Insurance contribution receivables</b>		
Insurance receivables from employees' contributions	1,100,938.23	6,239,327.60
Insurance receivables from employers' contributions	3,004,776.02	2,096,149.14
TVR, payment collection clearance account	-710,953.11	-4,266,796.92
Penal interest and collection fee receivables	103,367.64	0.00
	<b>3,498,128.78</b>	<b>4,068,679.82</b>
<b>34 Sales receivables</b>		
Liability component receivables	7,039,386.48	10,157,586.99
ECA receivables	166,593.21	225,475.27
Sales receivables	45,889.95	64,065.14
	<b>7,251,869.64</b>	<b>10,447,127.40</b>
<b>35 Accrued charges and deferred credits</b>		
Liability component income, accrual	111,096,762.95	103,142,607.40
Ministry of Employment and the Economy/ pay security accrual	32,526,983.44	29,451,029.05
Finnish Centre for Pensions, interest accrual	15,469,678.71	11,941,753.34
Unemployment funds TVR	9,606,692.09	1,964,463.87
Unemployment funds MSAH	9,510,781.78	2,382,615.07
Investments	5,996,503.83	29,766,800.26
Holiday pay debt	511,458.02	445,228.27
Other accrued charges and deferred credits	423,877.48	229,996.34
MSAH's share of income pursuant to the Employment Contracts Act	399,327.50	561,811.28
Finnish Centre for Pensions, capital accrual	0.00	14,800,000.00
Ministry of Social Affairs and Health, accrual in 2012	0.00	5,875,629.09
	<b>185,542,065.80</b>	<b>200,561,933.97</b>

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
	€	€
<b>36 Insurance contribution liabilities</b>		
TVR, payment collection, employers' prepayments	16,993,269.33	8,864,412.87
TVR, payment collection, employees' prepayments	1,837,356.04	1,121,420.34
TVR, payment collection, employers' contribution debt	1,452,080.29	294.90
TVR, payment collection, refunds in 2013	702,227.69	0.00
TVR, payment collection, employees' contribution debt	318,941.16	0.00
Collection fee debt, to insurance companies	2,055.00	132,265.54
	<b>21,305,929.51</b>	<b>10,118,393.65</b>
<b>Total accrued charges and deferred credits</b>	<b>206,847,995.31</b>	<b>210,680,327.62</b>
<b>OTHER FINANCIAL LIABILITIES</b>		
<b>Investment commitments</b>		
<b>Fixed assets</b>		
Overall commitment	5,250,473.19	6,000,000.00
Reduction of Fund III overall commitment	0.00	-749,526.81
Realised	-4,041,374.24	-4,033,200.77
<b>Total investment commitments</b>	<b>1,209,098.95</b>	<b>1,217,272.42</b>

## Currency deposits, 31 December 2013

Amount EURO	Value date	Due date	DKK	EUR on due date	Date	Return, EUR
20,000,000	25.09.2013	01.04.2014	149,148,000.00	20,054,998.95	188	54,998.95
20,000,000	02.12.2013	02.06.2014	149,190,000.00	20,051,415.85	182	51,415.85
20,000,000	10.12.2013	30.06.2013	149,192,000.00	20,065,538.42	202	65,538.42
20,000,000	02.12.2013	01.08.2014	149,170,000.00	20,082,863.60	242	82,863.60
10,000,000	20.12.2013	15.10.2014	74,604,000.00	10,055,239.75	299	55,239.75
						310,056.57

## Forward exchange transactions on due date

Sold currency amount DKK	Due date	Due date	Forward rate	Exchange rate, 31 December 2013	Date	Market value, 31 December 2013
149,381,665.20	01.04.2014	20,054,998.95	7.44860	7.45663	188	21,591.00
149,371,017.20	02.06.2014	20,051,415.85	7.44940	7.45367	182	11,473.00
149,459,882.52	30.06.2014	20,065,538.42	7.44859	7.45233	202	10,073.00
149,541,018.94	01.08.2014	20,082,863.60	7.44620	7.45120	242	13,453.00
74,888,409.10	15.10.2014	10,055,239.75	7.44770	7.44880	299	1,482.00
						58,072.00

	DKK	EUR
<b>Currency deposits, nominal value</b>	671,304,000.00	90,000,000.00



# Signatures

Helsinki, 18 March 2014

## UNEMPLOYMENT INSURANCE FUND Board



Lauri Lylly  
Chairman of the Board



Vesa Rantahalvari  
Vice-Chairman



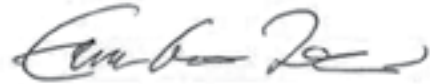
Sture Fjäder



Minna Helle



Pekka Hotti



Eva-Liisa Inkeroinen



Markku Jalonen



Jorma Palola



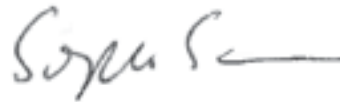
Vuokko Piekkala



Joonas Rahkola



Veli-Matti Rekola



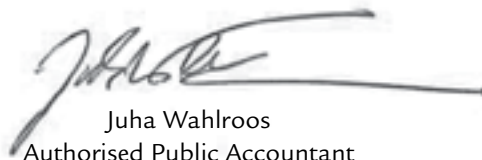
Seppo Saukkonen



Heikki Pohja  
Managing Director

### Auditors' note

Our Auditors' Report has been issued today.  
Helsinki, 28 March 2014  
PricewaterhouseCoopers Oy



Juha Wahlroos  
Authorised Public Accountant

# Auditors' Report

## To the Supervisory Board of the Unemployment Insurance Fund

We have audited the Unemployment Insurance Fund's accounts, financial statements, annual report and administration for the financial year 1 January–31 December 2013. The financial statements include the balance sheet, income statement, cash flow statement and notes.

## Responsibility of the Board and Managing Director

The Board and Managing Director are responsible for the preparation of financial statements and an annual report that give a true and fair view in accordance with the regulations governing the preparation of the financial statements and annual reports in Finland. The Board is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall ensure that the Fund's accounts are in compliance with legislation and that its financial affairs have been arranged in a reliable manner.

## Auditor's responsibility

Our responsibility is to express an opinion, based on our audit, on the financial statements and annual report. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and annual report are free from material misstatements, and whether the members of the Board or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the Fund, or whether they have violated the Act on the Financing of Unemployment Benefits or the Decree on the Rules of the Unemployment Insurance Fund.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the annual report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and an annual report that give a true and fair view, in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements and annual report give a true and fair view of the Fund's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements and annual reports in Finland. The information in the annual report is consistent with the information in the financial statements.

Helsinki, 28 March 2014

PricewaterhouseCoopers Oy  
Authorised Public Accountants



Juha Wahlroos  
Authorised Public Accountant





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