FINNAIR'S PILOT SUPPLEMENTARY PENSION COSTS MAY INCREASE DUE TO FINNISH EMPLOYEE PENSION REFORM

News / Airlines

In autumn 2014, the **Finnish** labour market organisations agreed on reforms to the public pension system, involving, among other things, a gradual increase of the statutory retirement age from 63 to 65 years. The Finnish Parliament is expected to adopt the Act in late 2015, and it is expected to become effective at the beginning of 2017.

Finnair's pilot pension benefits, which exceed the existing statutory **pension** benefits in Finland, form part of their collective labour agreement. Therefore, Finnair has conducted negotiations with its pilots in an effort to adjust the conditions of their defined-benefit supplementary pensions to mitigate the impact on Finnair of the legislative amendment; however, no agreement has yet been reached.

If the legislation on reforming the employee pension scheme passes, as currently written in the Government Bill, but the pension benefits of Finnair's pilots' cannot be aligned with the public pension reform, Finnair would be liable for the additional costs associated with the implementation of the legislative reform. Consequently, its pension obligations would increase by a total of

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approximately EUR 30 million. This would be reflected in the balance sheet after the adoption of the Act, potentially in the financial statements ending December 31, 2015. In addition, the change would increase annual staff costs by approximately EUR 2 million.

The supplementary pension benefit negotiations concern approximately 700 pilots currently employed by Finnair. On average, Finnair pilots retire with a supplementary pension at the age of 58 years.

The supplementary pensions under the collective labour agreement for new pilots being recruited by Finnair are defined-contribution; therefore, the legislative reform has no impact on the related pension cost.

Finnair is actively exploring ways to mitigate the impact of implementing the pension reform, which was agreed by the Finnish labour market organisations, without incurring undue extra costs to the company.

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