

# **Salary exchange for pensions**

Rules and guidelines

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**Karolinska  
Institutet**



## **Salary exchange at Karolinska Institutet**

### **Rules and guidelines**

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## 1 What does salary exchange involve?

A salary exchange relating to one's pension means to save up for an increased pension in a simple, individual and affordable manner. Salary exchange means that a deduction is made on a gross salary by an amount chosen by the employee. There is an upper and a lower limit for the amount. As of 1 January 2017, the money will be simply transferred to the elective component of your pension as specified in the PA16 pension agreement with repayment cover (for more details see [SPV's website](#)).

The plan is beneficial in the way in which the deduction reduces gross salary, which means that the tax for the worker and the fee for the employer both decrease. Someone who takes part in a salary exchange partly ends up being taxed less and also gains an additional premium of 4% because the employer ends up with a lower cost and this is beneficial to the employee.

## 2 Who can adopt a salary exchange relating to one's pension?

The plan is geared towards all permanent employees who work 20% or more and get their salary paid by KI.

Employees born in or after 1988 may exchange part of the salary from the first day of employment, and may continue in the scheme until the end of the calendar month in which they turn 67.

Employees born in 1987 or before may exchange part of their salary from the age of 23 and may continue in the scheme before the calendar month in which they turn 67.

## 3 Benefits which may be affected

Salary exchange can have the effect of lowering other benefits. Therefore, after salary exchange, it is not advised for employees who have a base salary which is less than the following amount limits.

### 3.1 General pension

The limit for acquiring general pension is SEK 42,031 per month (2018).

### 3.2 Parental allowance

Sickness allowance based income for the payment of parental allowance is affected involving a salary which is less than SEK 37,916 per month (2018).

### 3.3 Sickness allowance and sickness compensation

The compensation for sickness allowance and sickness compensation will be lower for those, after voluntary pension provision via salary exchange, who end up with a salary which is less than SEK 30,333 per month (2018).

### **3.4 Unemployment insurance**

The compensation for unemployment insurance will be lower for those, after voluntary pension provision via salary exchange, who end up with a salary which is less than SEK 25,025 per month (2018).

## **4 What do I do if I want to salary exchange?**

Those wanting a salary exchange should always contact the pension advisor at the HR Office who can provide relevant information to each person on a case by case basis.

## **5 How does a salary exchange work?**

After receiving the correct information and deciding to partake in a salary exchange, an agreement is signed between Karolinska Institute and the employee.

The agreement applies until further notice.

The salary exchange enters into force the month after the agreement has been signed.

The insurance premium shall be paid in advance, therefore the salary exchanged amount is deducted from month one, and the first premium is paid from month two. Karolinska Institutet then pays the agreed monthly amount to your chosen insurance provider. The sum is added to the premium supplement of 4%.

If you start a new position at Karolinska Institutet, the salary exchange agreement applies for the new position as well, unless otherwise agreed.

The minimum amount for voluntary provision per month is SEK 500.

Chapter 59 paragraph 5 of the Income Tax Acts states that the total occupational pension provision may not exceed 35% of gross salary. KI's current occupational pension provisions are 4,5% and 6% respectively. Employees born in or before 1987 may make a maximum salary exchange of 30,5 of their gross KI salary, while employees born in or after 1988 may make a maximum salary exchange of 29% of their gross KI salary.

## **6 Suspend a salary exchange**

A salary exchange is only carried out if conditions exist in order to perform a full salary deduction. A cause of full salary deduction not being possible can e.g. be parental leave, leave of absence or absence due to illness.

A suspension of the current agreement can otherwise be allowed after sending in a written application to do so. In the application, the time period and cause are stated. The notification terms are 3 months if one wants a suspension. The application shall be submitted to the HR department by the University Management.

## 7 Agreement if salary exchange ceases to apply

The agreement can cease to apply:

- Upon the request of the employee during their employment
- If the employment at Karolinska Institutet terminates
- Upon the employer's request due to tax regulations, other legislation or if applicable conditions change

## 8 Editing the salary exchange amount

If an employee wants to change an amount to be salary exchanged, a new application must be completed and signed by the employee and Administrative Manager. A copy of the decision shall always be submitted to the Salary unit. A new salary exchange decision with a new salary amount automatically cancels the previous decision.

## 9 One-time pension contribution

Employees who wish to make a one-time contribution to the elective component of the pension as specified in the PA16 pension agreement need to fill out the application form "Salary exchange agreement". Select "One-time contribution" and fill in the amount. The form needs to be signed by the employee and the administrative manager. A copy of the decision should always be given to the Payroll department.

## 10 Payment of occupational pension - Selectable part

For employees born in 1988 or later, the optional portion of the occupational pension is paid from 61 years of age for 10 years or longer.

For employees born in 1987 or earlier, the optional portion of the occupational pension is paid from 65 years of age for rest of life

More information on payments can be found on SPV's website [www.spv.se](http://www.spv.se)

## 11 Example of how it works

An employee who earns SEK 47,000 chooses in August to salary exchange SEK 2,000 from Oct 1. The deduction from the salary is executed on October's monthly salary. In November, KI pays SEK 2,000 + the premium supplement of 4% which results in a pension provision of SEK 2,080 paid to her/his chosen pension provider.

The employee is taxed for the reduced gross salary SEK 47,000 (SEK 47,000-SEK 2,000), which also results in the employee having a lower income tax.

