

## EXAMPLE OF RULES FOR PERSONNEL FUNDS OF SMALL AND MEDIUM-SIZED COMPANIES

### RULES OF COMPANY LTD'S PERSONNEL FUND PF

#### Section 1 The fund and its domicile

The name of the fund is Company Ltd's Personnel Fund PF, and its domicile is c.

#### Section 2 Purpose of the fund

The purpose of the fund is to manage the personnel fund contributions and supplements to personnel fund contributions paid into it by Company Ltd as well as other assets referred to in the Personnel Fund Act (934/2010).

*If desired, instead of the Company's name, later it is possible to use more briefly The Company, in which case state above: ... Company Ltd (hereinafter Company)...*

*A personnel fund may be established in connection with two or more undertakings, if the undertakings have such a financial or operational connection with each other that the arrangement can be considered appropriate with regard to managing the personnel fund and the members of the personnel fund. In that case, the rules must state all the undertakings in connection with which the fund operates.*

#### Section 3 Membership

*According to section 17 subsection 2 of the Personnel Fund Act, membership must begin no later than six months after the start of the employment relationship, i.e. the waiting period can be a maximum of six (6) months.*

Persons employed by the Company become members of the fund when their employment relationship has lasted for *x in letters (x in numbers)* months (waiting period).

[*Alternative*: Persons employed by the Company become members of the fund from the beginning of their employment relationship, provided that their employment relationship has lasted for *x in letters (x in numbers)* months].

[*Alternative 2*: Persons employed by the Company become members of the fund from the beginning of their employment relationship.]

[*Possible additional condition*:

Managers appointed by the board of directors of the Company, about whom the board of the fund who is always notified before the beginning of the company's financial year, are not members of the fund.]

[*Possible additional condition*:

The Company's chief executive officer may be a member of the fund.]

Membership in the fund ends when the personnel fund share has been paid in full to the member after their employment relationship has ended.

### **[Section Joint capital**

*The fund can have other fund capital, i.e. joint capital and donations. Accumulation of joint capital is possible in accordance with the following options:*

a) The fund receives personnel fund contributions and supplements from the Company as a single entity

*Based on its rules, the fund distributes the personnel fund contributions and their supplements to the personal shares of its members. The fund may transfer part of the personnel fund contributions and their supplements to the joint capital before the aforementioned distribution. In that case, the rules of the fund must contain a provision on whether a meeting of the fund [representatives] or the board decides on increasing the joint capital and the amount to be transferred to the joint capital and its purpose. In addition, the rules may contain more detailed provisions on, among other things, the amount to be transferred.*

A maximum of *x in letters (x in numbers)* per cent of personnel fund contributions received by the fund may be transferred to the joint capital of the fund by decision of the [alternative: representatives] board of the fund, to be used for purposes to the joint benefit of fund members.

b) The fund receives personnel fund contributions and supplements from the Company, distributed member-specifically

*If the fund at the time in question has joint capital that is being accumulated, the Company's bonus scheme must have a provision that part of the accumulated personnel fund contributions is transferred to the joint capital before the contributions are distributed to the members' personal shares. In addition, the rules of the fund must include provisions on joint capital and its accumulation etc. that are compatible with the bonus scheme.*

The board of the fund may decide that a maximum of *x in letters (x in numbers)* per cent of personnel fund contributions and their supplements under the Company's bonus scheme, before the contributions are distributed to the members' personal shares, will be transferred to the joint capital of the fund, to be used for purposes to the joint benefit of fund members.]

### **Section 4 Members' fund shares**

*The Company may pay to the personnel fund personnel fund contributions, i.e. profit and/or performance bonuses as well as supplements to personnel fund contributions. The criteria for personnel fund contributions and any changes to them must be addressed in a cooperation procedure. The maximum amount of a personnel fund contribution must be determined according to uniform principles for everyone covered by the bonus scheme.*

*The Company may pay a personnel fund contribution such that the fund distributes it to the personal shares of the members. Another option is that the Company pays personnel fund contributions such that payments are already distributed as members' personal shares.*

*The Company may also pay a supplement to a personnel fund contribution to the fund for distribution to fund members within the scope of the supplement or such that the Company, when paying, has specified each member's share.*

*If the fund distributes a personnel fund contribution or supplement it receives as a single entity to members' personal shares, the basis of distribution must be specified in the rules. Members' shares of a personnel fund contribution may be determined in proportion to salaries paid or hours worked or various combinations of the two.*

*The basis of distribution of a supplement may be the same as that of a personnel fund contribution, or a different basis of distribution may be specified for it in the rules.*

The personnel fund contributions paid by the Company to the fund [after any transfer to the joint capital] are distributed to the personal fund shares of the fund members...

Supplements to personnel fund contributions paid by the Company to the fund are distributed to the personal fund shares of the members covered by the supplement...

*The basis of distribution of a personnel fund contribution may be, for example, as follows:*

... such that half is determined in proportion to each member's salary subject to withholding tax paid for the earning period of the personnel fund contribution and half in proportion to the hours worked during the earning period.

*If hours worked are taken into account as a basis of distribution, then it should also be specified whether this concerns only regular working hours or whether additional and overtime work is included and how different forms of absence are taken into account. If salary is used as a basis of distribution, it should be specified whether this includes additional and overtime compensation, fringe benefits, holiday compensation etc...*

*[If, according to the bonus scheme, personnel fund contributions have already been distributed as personal bonuses:*

Personal personnel fund contributions and their supplements paid by the Company to the fund are added as such to the personal fund shares of the members... ]

A surplus or deficit generated by the fund's member share capital and changes in the value of investments are added for each financial period to the fund shares of the members in proportion to the values of the fund shares they had on average during the financial period. A member to whom a fund share has been paid based on the ending of their employment relationship is not entitled to a surplus or deficit or to changes in value for the period between the valuation

date of the fund and the payment date of the fund share.

*The board of the fund may offer members the opportunity to indicate which investment method, as determined in advance by the board, they wish their member share capital or part thereof to be invested in. In that case, the fund's rules may specify that changes in the value of the member's share capital or a part of their member share capital will be added to each member's fund shares in accordance with the actual changes in value of the investment objects.*

## **Section 5 Valuation and statement of fund share**

The value of the fund's assets and each member's fund share must be determined annually on the fund's valuation date, which is the fund's financial closing date.

Every year after the valuation date, the fund delivers without delay to each member a written statement on the personnel fund contribution and part of its supplement added to their personal fund share, and the basis for these, as well as the value of their share and its distribution into fixed and withdrawable components.

## **Section 6 Withdrawal of fund shares**

A member's personal fund share is divided into a fixed component and a withdrawable component. Every year after the valuation date, a maximum of 15 per cent of the fixed component of the capital is transferred to the withdrawable component.

The withdrawable fund share or a part thereof is to be paid to the member no later than four (4) months from the fund's valuation date if the member has notified the board of the fund, after receiving the statement on the fund share, that they wish to exercise their withdrawal right. The member's notification is binding until the next fund share statement.

*The rules may specify that the withdrawal notification may also be made before the valuation date. However, the payment may take place after the valuation date.*

## **Section 7 Payment of fund share after the end of the employment relationship**

The member's fund share must be paid no later than four (4) months after the next valuation date, counted from when the member's employment relationship has ended.

The fund member has the right, if they wish, to withdraw their fund share in instalments of the size they wish, on a maximum of four (4) annual fund share withdrawal days following the end of their employment, if their employment relationship has ended

- 1) due to redundancy for financial or production-related reasons
- 2) following an uninterrupted lay-off of at least 90 days or

3) due to retirement.

*If the fund wishes to equate those who have accepted a 'severance package' with those who have been made redundant for financial and production-related reasons, this should be mentioned in the rules.*

## **Section 8 Transfer of fund share to another personnel fund after the end of the employment relationship**

If, after the end of the employment relationship, the employee moves to the service of an employer which has a personnel fund, their fund share may, at the employee's request, be transferred to the new personnel fund instead of being paid to the employee.

The transfer request must be made to the board of the fund before the valuation date that follows the end of the employment relationship. The boards of both funds must approve the transfer of the fund share.

The transfer of the fund share must take place no later than four (4) months after the next valuation date, counted from when the member has made the transfer request.

*The board of the personnel fund must specify generally the conditions under which the personnel fund can transfer fund shares to another personnel fund or receive fund shares from another personnel fund. The procedure specified by the board of the personnel fund is adhered to generally and in the same way for all members and future members.*

## **Section 9 Meetings of the fund**

*In the personnel fund, decision-making power is exercised by its members at a fund meeting, where each member has the right to vote and one vote. If so specified in the rules, the number of votes of a fund member may also depend on their fund share.*

*A meeting of the personnel fund may be*

- a) a meeting of members or*
- b) a meeting of representatives selected by the members from among themselves.*

*If representatives are selected in the fund, the rules must contain provisions on the number of representatives or the manner by which this is determined and the term of office, as well as the selection procedure. The rules may specify that representatives' seats or a certain number of them are distributed among the members or among personnel groups formed by fund members on the basis of criteria laid down in the rules. If seats are distributed based on the rules in the aforementioned way, the rules must also specify that the representatives must be selected from candidates nominated by the said members or the personnel groups they represent. If the representatives are selected by election, the rules must also specify whether a proportional election method or a majority election method is followed and how the result of the election is determined. If, according to the rules, deputies are selected for representatives, the rules must also specify the procedure for their selection.*

The decision-making power of the fund is exercised by the members of the fund at a fund meeting, where each member has the right to vote and one vote.

*[Alternative, when the members select representatives for the fund:*

The fund's decision-making power is exercised by representatives selected by fund members from among themselves. The term of office of the representatives is *x in letters (x in numbers)* years. The term of office begins at the end of the annual general meeting of the fund that follows the selection and ends at the end of annual general meeting of the fund held after *x in letters (x in numbers)* years after the selection.]

A general meeting of the fund (representatives) must be held annually by the end of *x-month* [following the end of the financial period] on a day determined by the board. An extraordinary meeting of the fund [representatives] is held when the meeting itself so decides or the board deems it necessary. An extraordinary meeting of the fund is also held when at least two members representing at least ten per cent of the fund's members or a representative of a personnel group representing at least ten per cent of the fund's members request this in writing for the consideration an issue indicated by them.

*The tasks of the annual general meeting of the fund [representatives] include consideration of the financial statements. According to section 11 subsection 1 of the Personnel Fund Act, the invitation notice period is at least one week. The date of the annual general meeting is therefore affected by the rules regarding auditing and financial statement supervision. According to section 33, subsection 3 of the Personnel Fund Act, the financial statements with attachments must be given to the auditor at least one month before the fund meeting and, in accordance with section 63, subsection 2 of the Act, the financial statements must be submitted to the Cooperation Ombudsman for supervision within four months of the end of the financial period. According to chapter 3, section 6 of the Accounting Act, the financial statements must be prepared within four months of the end of the financial period.*

The invitation to attend a meeting of the fund must be sent to the fund's members [representatives] by post or email no later than *x days* before the meeting. The invitation to attend a meeting must state the time and place of the meeting and the matters to be considered.

A general meeting of the fund [representatives] shall consider the following matters:

- 1) presentation of the financial statements, annual report and audit report for the previous financial period
- 2) resolution of the adoption the financial statements and the discharge from liability of the board of the fund and others officers in positions of responsibility
- 3) resolution of measures regarding the surplus or deficit and any other measures arising from the financial statements

4) resolution of the fees of the members of the board and the auditor

5) election of the members of the board of the fund

*[If, according to the rules, the meeting of the fund [representatives] also elects the chair of the board and a possible deputy chair, then in addition:*

and chair of the board of the fund (and deputy chair.)]

6) selection of the auditor and deputy auditor

7) consideration of other matters presented by the board and mentioned in the invitation to attend the meeting.

*[If there is a desire for the rules to also allow participation in a fund meeting remotely:*

Members [representatives] may participate in a fund meeting by post or by means of a telecommunications connection or other technical aid, during the meeting or before the meeting, provided that the right to participate and the counting of votes can be resolved in a manner comparable to the procedures followed at a regular fund meeting. The invitation to attend a meeting must state the time and place of the meeting and the matters to be considered as well as the opportunity to participate remotely and the procedure to be followed in this.

## **Section 10 Board of the fund**

*According to section 28 of the Personnel Fund Act, the board must have at least two members. A member of the board must be a member of the personnel fund or a person belonging to the management of the company. If, according to the rules, deputies for members of the board are selected, the rules must also specify the procedure for their selection.*

The board of the fund consists of *x in letters (x in numbers)* ordinary members and *x in letters (x in numbers)* deputy members, who are selected by a meeting of the fund following a [majority or proportional] election method. The candidates who receive the most votes become members of the board, and the candidates who receive the next most votes become their deputy members.

*[Alternative, if the board also includes a member appointed by the company's management, who may have a deputy member:*

The board of the fund consists of *x in letters (x in numbers)* ordinary members and *y in letters (y in numbers)* personal deputy members. The board of directors of the Company appoints one of the board members [and their deputy]. A meeting of the fund [representatives] selects the rest of the board members and deputy members following a [majority or proportional] election method. The candidates who receive the most votes become members of the board, and the candidates who receive the next most votes become their deputy members.]

*If seats of members of the board or a certain number of them are distributed among the members or among personnel groups formed by fund members, the rules must contain*

*a provision on their selection procedure and selection method. The number of members of the board may also be specified in the rules as a minimum and maximum number. In that case, a meeting of the fund [representatives] must first decide on the number of members of the board and only then select the members of the board.*

The term of office of a board member and deputy member is one year, and it begins at the end of the fund meeting that made the selection and ends at the end of the general meeting following the selection. A deputy member takes the place of an ordinary member when the latter is temporarily or permanently unable to attend or when an ordinary member is no longer eligible to be elected.

*The board of the fund selects one of the board members to be the chair of the board if the selection of the chair is not, under the rules, a task of a meeting of the fund [representatives]. The fund may also have a deputy chair, if this is laid down in the rules. The chair and deputy chair must be ordinary members of the fund (not deputy members). In section 8 above, item 5 of the agenda of a general meeting of the fund also mentions, as a possible matter to be resolved by a general meeting of the fund, the selection of the chair and deputy chair of the board.*

*If the board selects the chair of the board and a possible deputy chair:*

The board selects a chair [and deputy chair] from among its members.

A quorum is constituted when the chair or, in their absence, the deputy chair and at least half of the other members or deputy members are present.

*If desired, a board meeting may also be organised with the assistance of a telecommunications connection or other technical aid. This does not have to be provided for in the rules, but the invitation to attend the meeting should mention this method of meeting and the related procedures.*

## **Section 11 Fund signatories**

*According to the Personnel Fund Act, the board represents the fund. According to the Act, the rules of the fund may include provisions regarding the right to sign for the fund, whereby the right of representation is given to a board member alone or together with others.*

The chair of the board alone or two members of the board together have the right to sign for the fund.

[Alternative:

The chair and deputy chair of the board together or one of them together with a member of the board or two members of the board together have the right to sign for the fund.]

## **Section 12 Fund auditor and financial statements**

*According to the Personnel Fund Act, an auditor must always be selected for the fund. If only one auditor has been selected for the fund and this is not an authorised public accountant firm, at least one deputy auditor must be selected for the fund. In other*



*words, if the fund wishes to select as auditor a certain person who is an authorised auditor, the fund must also select a deputy auditor. If an authorised public accountant firm has been selected as auditor, there is no need to select a deputy auditor.*

*A company that, on the basis of chapter 2, section 2, subsection 2 of the Auditing Act, has not selected an auditor must, however, request from an auditor the statements referred to in subsection 3 and provide them free of charge to the personnel fund.*

*If the fund wishes to select an auditor by election, the rules of the fund must include a provision on the election method, in other words whether a proportional election method or a majority election method is followed.*

The fund has one (1) auditor, as referred to in the Auditing Act, and one (1) deputy auditor. The auditors' term of office begins immediately after the fund meeting that made the selection and continues until the end of the following general meeting of the fund.

[Alternative:

The fund has one (1) auditor, as referred to in the Auditing Act. In addition, a deputy auditor must be selected for the fund if the selected auditor is not an authorised public accountant firm, as referred to in the Auditing Act. The auditor's term of office begins immediately after the fund meeting that made the selection and continues until the end of the following general meeting of the fund.

### **Section 13 Financial period and valuation date**

The financial period of the fund begins on *1 xmonth* and ends on *30/31 ymonth*. The fund's valuation date is *30/31 ymonth*.

*When specifying the end of the fund's financial period, it is recommended to take into account that, in most cases, the Company will not pay a possible personnel fund contribution until after the financial statements for the completed financial period have been finalised. For this reason, at the meeting establishing a new fund, it is ordinarily recommended to decide that the first financial period be longer than 12 months. The financial period may be a maximum of 18 months.*

### **Section 14 Personnel Fund Act**

In other respects, the provisions of the Personnel Fund Act (934/2010) are adhered to in the activities of the fund.

*If joint capital or other capital:*

### **Section Dissolution of the fund**

On the dissolution of the fund, assets other than those belonging to the fund shares of members are distributed among the members in proportion to the fund shares they have at the time of the dissolution of the fund.