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Keva's financial statement bulletin 1 Jan–31 Dec 2011:

Keva's year went as expected

At the end of 2011, the market value of Keva's investment assets stood at approximately EUR 29.6 billion. Keva handles funding for municipal sector pensions and invests pension assets. The return on investments after expenses was -1.7%. Pensions paid out totalled EUR 3.5 billion and pension recipients numbered around 349,000. Contribution income amounted to EUR 4.4 billion and the number of active local government employees was approximately 509,000.

According to Keva's CEO and Managing Director, **Merja Ailus**, the municipal payroll and contribution income increased as anticipated. The performance of investment activities was reasonable in relation to the general situation.

"Overall, we can say that the year went according to our expectations. In 2011, we took over the handling of state employees' pension matters, and those activities clearly characterised the entire year for us. For the most part, everything went as forecasted," Ailus says.

"We received positive feedback from both private and employer customers for our efficient and smooth services. We are well positioned to continue on this path in 2012, when we statutorily begin handling the pension matters of the Evangelical-Lutheran Church and Kela, the Social Insurance Institution of Finland, and provide employee pension services for the entire public sector," Ailus says.

The investment return was negative due to the decline in share prices

The market return on Keva's investments after expenses was -1.7% in 2011 (12.3% in 2010). The capital-weighted real return since inception (1988) to the end of last year was 3.2% per annum. The real return since inception (1988) to the end of 2011 was 5.1% per annum, excluding capital weighting. In the Finnish pension sector, long-term returns are usually calculated without capital weighting.

The market value of investment assets increased from EUR 28.8 billion at the end of 2010 to approximately EUR 29.6 billion. Among the various assets, the market value return on fixed income investments was 3.5%, the return on listed equities -10% and the return on real estate investments 5.9%. Among the smaller asset categories, the return on private equity investments was 13.9% and on hedge funds -0.5%.

According to CIO **Ari Huotari**, 2011 was very eventful in terms of investments, with the euro-zone and U.S. debt problems culminating repeatedly. Concerns over the sustainability of global economic growth also played a role.

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“2012 started on a positive note in the capital markets. Recently, however, concerns about the situation in Greece and global economic growth in general have intensified,” says Huotari.

At the end of 2011, fixed income investments accounted for 47.3% (43.2% in 2010), listed equity investments for 37.6% (43.5%), real estate for 8.2% (7.6%), private equity funds for 4.9% (4.0%) and hedge fund investments for 2.0% (1.7%) of Keva’s investments at market value. Some 17% of all investments were domestic.

Nearly the same number of people retired in 2011 as in the previous year

In 2011, 13,482 local government employees retired, which was 94 fewer than in 2010. The decline was mainly due to the decrease in the number of unemployment pensions.

During the year, Keva paid out more than EUR 3.5 billion in local government pensions, which is approximately 6.6% more than in 2010. At the end of the year, the number of local government pension recipients was approximately 349,000.

State pensions paid out totalled EUR 3.7 billion and state pension recipients numbered 275,000. The payment of these pensions was financed by the State.

Keva made nearly 49,000 local government pension decisions and nearly 20,000 state pension decisions in 2011.

The processing times for both local government and state pensions remained largely at the previous year’s level.

Contribution income up some 5.2% from the previous year

At the end of 2011 Keva had 918 member organisations consisting of cities, municipalities, joint municipal boards, limited liability companies and associations. These member organisations employed approximately 509,000 people covered by the local government pension scheme.

The local government payroll of the member organisations totalled EUR 15.4 billion. Contribution income amounted to EUR 4.4 billion, up 5.2% from the previous year.

Present value of benefits accrued: EUR 96 billion

The present value of all benefits accrued under the local government pension scheme, but which have not yet been paid out, stood at EUR 96 billion at the end of 2011 (EUR 90 billion in 2010). As the value of the pension fund increased in 2011 by around EUR 0.5 billion, i.e. clearly slower than the present value of benefits, the present value of unfunded benefits increased by approximately EUR 5.5 billion during the year.

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The present value of accrued benefits describes the pension obligations and liabilities under the local government pension scheme. In the private sector earnings-related pension scheme, only part of the accrued benefits are recorded as pension liabilities, which means that these values are not mutually comparable.

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Keva's key figures

	2011	2010	Change, %
Number of new local government pension applications	32,480	33,804	-4%
Number of local government pension recipients on 31 Dec.	349,000	339,900	3%
Local government pensions paid (EUR million)	3,541	3,321	7%
Number of new state pension applications	10,933		
Number of state pension recipients on 31 Dec.	275,000		
State pensions paid (EUR million)	3,656		
Local government payroll (EUR million)	15,376	14,733	4%
Local government contribution income (EUR million)	4,406	4,187	5%
Number of active local government employees on 31 Dec.	509,000	507,000	0%
Operating costs (EUR million)	82.4	73.0	13%
Personnel (permanent) on 31 Dec.	524	394	33%
Investments at market value (EUR million)	29,044	28,643	1%
Return on investments at market value	-1.7%	12.3%	
Annual real return on investments since inception (from 1988)	3.2%	3.9%	

Keva took over state employee pension matters as of the beginning of 2011; therefore there are no comparison figures for 2010.

Keva does not publish a printed annual report. Our financial statements and annual reports are published on our website at www.keva.fi. The Report of the Board of Directors and Financial Statement will be available on our website in Finnish as of 13 April 2012. The interim report bulletin covering the first quarter of 2012 will be published during the week of 23 April.