

Public sector pensions



ANNUAL REPORT
2019

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CEO's review



For Keva, 2019 was a successful year and full of changes. The remaining reform projects in the Keva 2019 programme, which had begun in 2016, were successfully concluded.

Keva's Board of Directors adopted the new strategy in March and an effective start has been made on implementing it. We now have three main strategic goals: Keva aims to be the most effective player in the earnings-related pensions sector. We want to provide our customers with the best customer experience. In our investment operations our goal is to be at the top of the earnings-related pensions sector.

If we reach our ambitious goals, Keva will prosper in the increasingly

tougher competition among earnings-related pension insurance providers.

We are reforming our management system and organisation

To implement the strategy, the early autumn saw us make a start on reforming Keva's organisation and management system. The aim is to build our operations into more clearly functioning processes and to reduce internal organisational boundaries and silos. The organisational reform will in practice be carried out during the first half of 2020.

Keva's Board of Directors adopted the economic framework guiding financial and operational planning for 2020-

2022. The increase in Keva's expenses was cut more stringently than the budget already in 2019. Through these measures we will aim towards our goal of being the most effective in the sector.

Best investment year in history

Keva's investments showed an excellent return at 12.8% or EUR 6.4 billion. The year was the best investment year in Keva's history in terms of euros. The investment return also ranks among the top major earnings-related pension providers. After the difference between operating costs and pension contribution income received, among other things, the result of EUR 6.1 billion for 2019 was excellent.

At Keva, we emphasise that the returns for one quarter or even for one year are not decisive. From the perspective of future earnings-related pensions, it is important for investment returns to perform well long term and to contribute to securing the funding of earnings-related pensions.

The aims of responsible investment progressed on many fronts during 2019. We have already made a start on revising the environmental aims of our real estate investments and, for example, Keva aims that all our new properties built from the start of 2020 will be carbon neutral. In addition, we also promoted active ownership mechanisms. We will also continue our steadfast work to promote responsible investment in the years ahead.

Merger of earnings-related pension systems is progressing

The working group preparing the merger of earnings-related pension systems

published its report in February 2019. The working group considered that merging the local government and private sector earnings-related pension systems is both possible and appropriate.

The ad hoc working group's report was on a consultation round in the spring and received almost unanimous approval. Also Keva held that a merger is possible, but that the appropriateness of such a merger would only be resolved during further preparation. It is of prime importance to allow sufficient time, at least until 2027, to prepare and implement the reform. In addition, the practicalities of pension security must be ensured for employees in the service of the State, Church and Social Insurance Institution of Finland Kela.

The further preparation of earnings-related pension systems was written into the Government Programme. On this basis, a follow-up working group was set up to serve until the end of 2021. A representative of Keva was appointed as a permanent member of the working group and the competence and expertise of Keva people will also be drawn on in subgroups.

Reducing disability risk becomes a statutory duty

In the spring, Parliament adopted an amendment to the Act on Keva (66/2016) under which reducing disability risk became a statutory duty of Keva. This amendment clarified and strengthened our operations. Keva is now the only earnings-related pension insurer whose duties include the provision of such services on the basis of the law. In 2019, we began to make services aimed at reducing disability risk available also to State employees.

Occupational healthcare in Finland is increasingly becoming focused

around the business of two private companies. During the year, we explored the possibility of setting up an in-house actor to provide occupational healthcare services to the public sector. Formation of the so-called Taimi group lapsed due to too few actors indicating an interest.

The work carried out to set up the Taimi group was worthwhile since a good new type of debate on occupational healthcare evolved during the work. Incapacity for work has increased alarmingly and we will continue to work together more intensely with all occupational healthcare actors to curb the rise.

Aiming for the best customer experience

In the early part of the year, a rise particularly in the number of disability pension applications put pressure on decision-making. Despite the growth in applications, Keva was still able to process applications faster than other earnings-related pension insurers.

Introduction of the national Incomes Register floundered badly and led to problems in collecting contributions from employers. Fortunately the problems were largely fixed by the end of the year.

Networking with customers and our other stakeholders has been written into our strategy. During the year, we developed employer and employee customer services in close cooperation with our customers.

Keva employees make changes

Personnel motivation and commitment are key when implementing a new strategy, making changes and striving towards ambitious goals. The autumn em-

ployee survey showed that Keva employees thought Keva's strength is among other things developing in the right direction. The results of the survey also showed that Keva employees are better aware of the strategy and future outlook.

Refurbishment and conversion of Keva's office building into an activity-based office started in 2017. The work was completed in summer 2019, since when Keva employees have been working in the Keva building. Bringing everyone together under one roof strengthens internal cooperation. The refurbished premises promote a change in corporate culture and enable the use of contemporary electronic and more social ways of working.

Refurbishment of the Keva building also meets our strict investment criteria. Once the work had been completed, we moved out of leased premises, thereby saving around EUR 1 million a year in rent.

Responsibility work strengthens reputation

A Confidence & Reputation survey conducted by T-Media shows that Keva's reputation with the general public had risen to the same level as other large earnings-related pension providers. Our responsibility work carried out over the past few years was considered as being one reason for the positive ratings given by the general public. We will continue to work with responsibility in accordance with our responsibility programme completed at the end of the year.

The 2019 Responsibility Report will be published as a supplement to this annual report later in spring 2020.

Timo Kietäväinen

CEO



Report of the Board of Directors 2019

Operating environment

The year 2019 was a year of change.

For Keva member organisations, the most significant change in the operating environment was the decision of the Government of Prime Minister Antti Rinne, formed following the spring general election, to initiate preparations to merge the local government and private sector pension systems. Legislative drafting will take place on the basis of the report of the working group exploring the possibilities of merger submitted in early 2019. Keva has been actively involved in preparations to merge the pension systems and the plan is that Parliament will take the final decisions on the merger in 2022. In which case, the appropriateness of the merger will also be assessed.

In spring, Parliament adopted an amendment to the Act on Keva whereby Keva was assigned a new statutory duty to reduce disability risk. This is an important mission and provides completely new possibilities to support employee wellbeing and employer work ability management in the public sector. The wellbeing at work activities financed by earnings-related pension providers were a topic of much debate in 2019. The Financial Supervisory Authority has carefully studied and instructed what wellbeing at work activities may or may not be. Keva is the only pensions actor to have a reduction in disability risk written into law.

Health and social services sector reform continues

The Sipilä Government's regional gov-

ernment and health and social services reform, which lapsed in early 2019, gained fresh momentum when preparation for the reform was resumed in the summer. The Government Programme outlined that the reform is based on county-based organisational responsibility. Since this time, the reform does not include a major role for the privatisation of services, the concerns in 2018 about major changes in market shares in the health and social services sector have been partly allayed.

A tightening up of the Emergency Services Decree has resulted in Finnish hospital districts considering increasingly wider cooperation structures. Both Pirkanmaa and Northern Finland have drawn up a comprehensive report on cross-county activities and the legal form of activity these could take. Following the reports, Northern Finland has set up a cooperative to start providing services in the region. The plans have created uncertainty in Keva's operating environment since cooperatives cannot be Keva member organisations. Shortly before its Christmas recession, the Finnish Government submitted a proposal for an amendment to the Act on Keva to make it possible for cooperatives to apply to Keva to become member organisations. The same proposal also included changes to be made to Keva's administration.

Together with municipalities and hospital districts, Keva explored the possibilities to set up a public, national occupational healthcare services company Taimi Oy, which would have served the municipalities' and hospital dis-

tricts' own personnel. Work on the study started in early 2018. During the course of the study, it transpired that there was insufficient certainty of a customer base required by the Taimi group for profitable business. Consequently, the project steering group discontinued the study in November 2019.

The Finnish Parliament passed new legislation concerning the Incomes Register in January 2018 and the Register was rolled out on 1 January 2019. The Incomes Register is a national online database that contains information on individuals' wages and, from the beginning of 2021, also information on pensions and benefits. Various faults arising in the introduction of the Incomes register throughout the spring caused problems in the collection pension contributions to be paid to Keva and in the processing of pension applications. The Register worked better later in the year.

Keva's new strategy

Keva's Board of Directors adopted a new strategy in spring 2019. As a result, Keva has initiated actions to improve customer experience and to increase efficiency. Work on the strategy and the various measures ensuing from it marked the everyday lives of Keva employees throughout the year.

International trade quarrels created instability in the global economy

If 2018 was marked by uncertainty created by global trade conflicts, the

situation in 2019 was even worse. The economic outlook and the United States' target-driven foreign policy lobbying and use of import tariffs as part of the country's aggressive trade policy continued in the same way as a year earlier. The situation resulted in many countries introducing retaliatory tariffs.

The latest statistics and survey data indicate weaker than expected economic development in the euro area in 2019 but also that the economy picked up slightly towards the end of the year. Internal demand in the euro area continues to buoy up economic growth, although the difficulties facing the German automotive industry, for example, have kept the growth outlook in the euro area lacklustre. Prolonged negotiations about the composition of the new European Commission and the failure of the UK to make decisions on Brexit also contributed to instability in Europe.

Once international trade had peaked, domestic demand sustained growth in Finland. Finnish GDP grew by 1.6% in 2019. Lower investments in the construction industry slowed the growth in domestic investments.

The general government deficit has contracted for three years and general government debt in relation to GDP has fallen to around 60%. The improvement in the general government budgetary position has slowed in the wake of economic cycles.

There are serious structural problems in Finland's general government finances. An ageing population has increased pension expenditure and will also increase care and nursing costs looking ahead. In 2019, central government debt rose by EUR 1.4 billion and at the end of the year stood at EUR 106.4 billion.

Slight improvement in employment, population projection cause for concern

There were 2,570,000 persons employed in 2019, 17,000 more than a year earlier. The employment rate at year-end had risen to 73%. The Labour Force Survey published by Statistics Finland at the end of 2019 showed there to be 164,000 unemployed persons, 18,000 more than in 2018. The numbers of the long-term unemployed remain high.

Negotiations on labour market settlements got underway towards the end of the year. One of the main issues in the negotiations is the Competitiveness Pact, which has been highly contested in recent years, and the negotiations are expected to be long and difficult. Inflation in 2019 was 1%.

Statistics Finland's latest population projection published in the autumn gives cause for concern. The projection shows that in 15 years, there will not be one municipality in Finland where the number of births exceeds the number of deaths if the birth rate remains at its current level. If the present trend continues, Finland's population will start to decline in 2031 and it is projected that in 2050 the population will be around 100,000 fewer than at the moment. No one in Finland has been able to explain the reason for the collapse in the birth rate.

A lower birth rate will exert a great deal of pressure on the sustainability of the pension system. Consequently, Keva has on a number of occasions brought up various ways of increasing the number of people working in Finland.

The investment assets of the earnings-related pension system were at an all-time high in 2019. At the end of September, assets totalled EUR 209 billion. Despite increased investment capital

and increased pension contributions as a result of good economic conditions, the financial position of earnings-related pension providers is not improving. Earnings-related pension expenditure continues to rise briskly as the number of retired persons and average level of pension grow.

Local government finances cause for concern

Local government finances and municipal tax accruals weakened for the third year running.

At the same time, the costs of ageing are pushing up expenditure and the salary increases in the local government sector focused on spring 2019 and end of holiday pay cuts under the Competitiveness Pact were largely reflected in the economic figures for 2019. According to the financial statement estimate of the Association of Finnish Local and Regional Authorities, local government finances will show a deficit of around EUR 200 million for 2019. Part of this deficit is a result of the introduction of the Incomes Register, the flexible completion of taxation and the tax card reform, which, unlike earlier, carries forward tax revenue to the following year.

Three out of four municipalities, i.e. a total of 225, posted a negative result in 2019.

Changes in legislation Reducing disability risk becomes a statutory duty for Keva

The Act on Keva was amended in spring 2019 and duties related to reducing disability risk were added to Keva's statutory duties. The duties relate to developing the work of Keva's insured and workplaces as well as measures to

support the ability to work of employees in the public sector. Keva provides services related to reducing disability risk to the local government sector, the Evangelical Lutheran Church and newly also to State employers.

Keva's operations are overseen by the Ministry of Finance. Looking ahead, Keva will submit information about the content and costs of services related to reducing disability risk to the Ministry of Finance.

New risk management regulation

In spring 2019, the Finnish Parliament added a provision to the Act on Keva requiring Keva to carry out a risk assessment as part of strategic decision-making and risk management. The assessment must evaluate the impact of significant risks on Keva's operations and measures to manage the risks that have emerged. The assessment is done regularly and updated immediately in the event of any material change in the risks.

The first risk assessment will be made either in late 2020 or in spring 2021.

Ownership steering principles defined

Under new regulation, ownership steering principles must disclose the link between the investment strategy and ownership steering principles. The principles describe the ways in which Keva seeks to obtain information and monitor the operations of investee corporations and their management. Keva must also state the procedures it may use to influence the operations of investee corporations. In addition, the principles must also be disclosed of how Keva engages in dialogue with investee corporations and their other shareholders and stakeholders.

Keva's Board of Directors adopted

the ownership steering principles on 11 December 2019 and they are published on Keva's website. The principles present the procedures by which Keva implements its ownership steering principles in those investee corporations whose shares are traded on a regulated market in the European Economic Area.

Changes in public sector pension legislation

Changes to the Public Sector Pensions Act and other earnings-related pensions acts were made as a result of a reform of earned income defined in the Health Insurance Act. The changes affect how the right to a pension is calculated for the period of basic allowance benefit under the Health Insurance Act and for the period of rehabilitation allowance under the Act on the Rehabilitation Benefits and Allowances Provided by Kela. The provisions were also amended on the determination of the pension provider deciding the pension application as well as the negotiation procedure between the private sector pension provider and Keva concerning disability pensions.

The relationship of earnings-related pension benefits to the damages awarded on the basis of rail traffic injury were specified and provisions were added on the disclosure of information between the pension provider and the liable party under the Rail Traffic Liability Act. Keva's right to obtain information about state of health was specified. Provisions concerning the earnings providing the right to a pension were also amended. The amendment will enter into force at the start of 2021.

The provision applying to the requirements to receive a pension was specified. Where a person's only continuous public sector service relationship is in the capacity of an assignment as

caregiver or family carer, other assignment relationship or elected position, this does not preclude an old-age pension being granted. In addition, clarifications and technical changes were made to the Public Sector Pensions Act in conjunction with the 2017 pension reform and certain other recent reforms.

Most of the amendments to the Public Sector Pensions Act entered into force on 1 January 2020.

Finnish MPs' adjustment pension scheme abolished

In spring 2019, the Finnish Parliament passed a legislative motion under which the pension adjustment scheme for members of the Finnish Parliament was abolished. Following the change, all former and existing members of parliament will transfer to the same adjustment allowance scheme, which was earlier applied to representatives elected to parliament in the 2011 election and thereafter.

In conjunction with the above change, the adjustment allowance scheme was changed so that the amount of adjustment allowance for first and second term members was brought more in line with the level of earnings-related unemployment benefit. Members are entitled to the adjustment allowance once they have served one year as an MP compared to the earlier requirement of three years.

Changes were made to the way in which an MP's pension is calculated. The aim is to remove barriers preventing extending careers and to make the remuneration on which pension is based to correspond to the member's average remuneration level during his or her career as an MP. In addition, the law was amended so that pension will accrue during the term of adjustment allowance in the same way as for unemployment benefits.



Customer relationships and customers

At 31 December 2019, Keva had 1,980 employer customers, of which 1,086 were local government organisations, 614 State employers and 279 parishes or parish unions. In addition, the Social Insurance Institution of Finland Kela, is also an employer customer.

Keva manages the earnings-related pension services of around 1.2 million public sector employees and pensioners. Approximately 703,000 of these are insured persons and 598,000 pension recipients.

Changing customer service needs

Customer work in 2019 focused on more comprehensive multichannel communication and on service in line with customer situations and needs. Customers were supported among other things in managing work ability in their own organisation, in situations of change in an organisation, matters relating to pension contributions and the introduction of the Incomes Register.

Customer meetings related to customer relationship management rose by almost 50% compared to 2018. Meeting content, the number of contacts and the value brought to customers were improved in various ways. Since a broad range of services was also offered to State employer customers, resources were added to customer relationship management.

Keva organised a total of 338 training events, workshops and coaching sessions, including those ordered by customers. In addition, Keva took part as an exhibitor and expert speaker in dozens of trade fairs and seminars to-

Employer customers, 31 December 2019	Number
Local government employer customers	1 086
Municipalities, towns and cities	311
Joint municipal authorities	137
Limited liability companies	616
Associations and foundations	19
Other local government organisations	3
State employer customers*	614
Church organisations	279
Kela's employer customers	1
Total	1 980

* Employers who are in other earnings-related pension systems (mainly in the local government sector) have been excluded from the number of State organisations to prevent the same employer from appearing twice in the total number of employer customers.

gether with partners. Various events during the year reached more than 20,000 Keva employer, employee and stakeholder customers.

A new customer relationship management system and reporting software were introduced in 2019 to support customer relationship management, service provision and knowledge-based management. The systems enable a more comprehensive, multi-professional customer service than earlier, increase customer understanding and improve event management.

Another important focus of the year was the introduction of digital services and user support as well as the marketing of new digital services. In 2019, among other things we rolled out a learning environment which offers employer customers online opportunities for flexible learning. A well-

being at work survey service designed for employers of all sizes was added to the Key Data service. Employers can use an online service to also help them to assess and analyse matters related to the work ability management of their organisation, for example.

There were 33,423 logins to the employers' online service, about 14% more than in 2018. The usability, informativeness and appearance of the service were developed during the year. Suomi.fi e-identification was brought into use in the online service at the end of the year.

Advisory robot complemented employee customer service

During 2019, Keva's advisory numbers for employee customers took 164,990

calls and the advisory numbers for employer customers took 3,564 calls. General pension advice was sought in 134,423 of the calls from employee customers and the rest of the calls concerned pension payment. The number of calls received was slightly higher than in 2018. The service for employee customers was improved and smoother since a start was made on directing advisory calls to the expert dealing with the customer's own affairs. The resources answering advisory calls were increased during peaks.

Keva's pension advisory service served 224 customers who had made an appointment. This figure had almost halved compared to a year earlier.

Online communication has continued to grow in popularity. In 2019, Keva's website had almost 2 million visits, up by around 25% compared to 2018.

Starting in late 2019, Keva started to use an advisory robot, Ilona, on its open website. Ilona answers customer questions through chat. Thorough preparations were made for the deployment of Ilona to ensure a highly successful start. Ilona has been able to answer more than 65% of customer questions, a much higher rate than similar chat robots on average.

During the year, preparations were made to deploy an advisory robot also on the My Pension service and on the employer website, which require customers to register. At the same time, the groundwork was laid to introduce customer advice chat during 2020.

There was a significant increase in

the number of logins to the online or My Pension service. The number of logins was 898,230, up by almost 26% compared to 2018. A total of 33,246 enquiries were answered via the service, with 20,405 enquiries concerning general pension advice. Robotics was also utilised to reply to messages. As in earlier years, the My Pension website was Keva's most popular.

User satisfaction with the My Pension service was almost at the same level as a year earlier and 82% of customers rated the service as excellent or good. The My Pension service was further developed during 2019 with the aim of further improving and overhauling the service to make it more informative and take the customer's situation into account.

Customers trust Keva

Keva collected customer feedback in three ways during 2019. Feedback was continuously collected in conjunction with communications taking place in different channels. Autumn 2019 saw a satisfaction survey carried out for employee and employer customers. In addition, customers were offered a chance to submit feedback spontaneously about any topic whatsoever through Keva's homepages.

Feedback collected from communication situations (online communications, telephone communications, Keva's events and customer meetings) were reviewed and used to improve services. Feedback was mostly very positive and, as in 2018, customers

ranked 80-90% of meetings on average as good or extremely good. In addition, customers made valuable suggestions for improvement through spontaneous feedback and these were considered and implemented in various parts of Keva. More than 30,000 comments were received through various channels during 2019.

During the year under review, a customer satisfaction survey for employer customers was carried out for all Keva's stakeholders in conjunction with a reputation survey. The survey showed that 75% of employer customers judged Keva to have been very or extremely successful in its operations. The result was static compared to 2018. Customers considered Keva to be a reliable actor, to provide useful services and considered that Keva's operations had developed in a positive direction over the past year. Customers particularly appreciated knowledge-based management services and the advice and consultation provided by experts. Research shows that employee customers would like to see in particular the further development of services supporting work ability management and active contact with customers.

As in earlier years, employee customer satisfaction was at an excellent level. As in 2018, nine out of ten customers receiving a pension decision rated Keva's operations as good or excellent. Customers commended the ease, promptness and friendliness of communication.



Contribution income

The national Incomes Register was rolled out at the beginning of 2019 and this impacted the calculation and collection of Keva's contribution income. Employees reported the earned income of their employees to the Incomes Register and Keva calculated the pension payments of its member organisations on this basis.

Especially in the first half of the year, some employers had challenges in reporting earnings and this was reflected in the calculation of Keva's contributions. The situation improved clearly in the second half of the year, but there were still some challenges in reporting earned income.

Sum of wages and salaries of member organisations grew 4.1%

At the end of 2019, some 550,000 employees were insured under Keva member organisations' pension system. This was just under 3% more than a year earlier. The total sum of wages and salaries of member organisations was EUR 18,126 million, EUR 717 million (4.1%) more than in 2018.

Contribution income paid by Keva member organisations in 2019 totalled EUR 5,127 million (2018: EUR 4,920 million), which was 28.29% of the sum of wages and salaries (2018: 28.26%). Year on year contribution income was up EUR 207 million (4.2%). The contribution structure changed in 2019 so

that the separate contribution based on early retirement pension expenditure was discontinued and a new disability pension contribution was included in the employer's earnings-based contribution. The new contribution structure is made up of two parts: the employer's and employee's earnings-based contributions and the employer's contribution based on pension expenditure.

Keva collected earnings-based contributions of EUR 4,422 million, comparable growth of EUR 155 million (3.6%) compared with the previous year. Employees contributed around EUR 1,300 million and employers around EUR 3,120 million. In 2019, the earnings-based contribution averaged 24.40% of salaries. Taking into account the removal of the early-retirement based contribution, the comparable payment contracted by 0.11% compared to 2018.

The employees' earnings-based contribution in 2019 was 6.75% for employees under the age of 53 and over the age of 62, and 8.25% for employees aged 53–62. Compared with 2018, the contribution rose by 0.4 bp in both groups.

In accordance with the decision of Keva's Council, Keva charged EUR 706 million pension expenditure-based contributions to its member organisations, which equated to 3.89% of the sum of wages and salaries, an increase of EUR 53 million (8.1%) compared to the previous year.

Financial support is a benefit equivalent to group life insurance paid to the beneficiaries of a deceased local government officeholder or employee. At the end of 2019, 737 member organisations had arranged for financial support through Keva. Keva collected roughly EUR 4.7 million in financial support contributions for 2019, which is about the same as a year earlier.

Keva received some EUR128 million, about the same as in 2018, in contribution income from the Unemployment Insurance Fund.

Keva collects State and Church pension contributions

By law, Keva is also responsible for the calculation and collection of pension contributions from the State and Evangelical Lutheran Church. Keva collects the contributions directly in the State Pension Fund's and the Central Church Fund of Finland's bank accounts, but Keva is responsible for all the practical measures relating to contributions.

In 2019, Keva collected around EUR 1.5 billion in pension contributions for the State and just under EUR 150 million for the Church. State and Evangelical Lutheran Church contributions do not impact Keva's profit and loss account.

Contribution rates of Keva member organisations 2010–2019

Year	Earnings-based contribution			Pension- expenditure-based contribution	Early retirement- based expenditure contribution	Total
	Employer's contribution	Employee's contribution				
2019*)	17,25	7,15	1)	3,89		28,29
2018	16,75	6,78	2)	3,75	0,98	28,26
2017	17,05	6,59	3)	3,94	0,88	28,46
2016	17,10	6,19	4)	5,21	0,90	29,40
2015	17,20	6,19	5)	5,62	0,80	29,81
2014	16,85	6,03	6)	6,03	0,91	29,82
2013	16,45	5,58	7)	6,64	0,91	29,58
2012	16,35	5,57	8)	6,21	0,99	29,12
2011	16,10	5,10	9)	6,45	1,00	28,65
2010	15,60	4,87	10)	6,66	1,29	28,42

1) 6.75% for people under 53 and 63 or over and 8.25% for people aged 53–62

2) 6.35% for people under 53 and 63 or over and 7.85% for people aged 53–62

3) 6.15% for people under 53 and 63 or over and 7.65% for people aged 53–62

4) 5.70% for people under 53 and 7.20% for people aged 53 or over

5) 5.55% for people under 53 and 7.20% for people aged 53 or over

6) 5.55% for people under 53 and 7.05% for people aged 53 or over

7) 5.15% for people under 53 and 6.50% for people aged 53 or over

8) 5.15% for people under 53 and 6.50% for people aged 53 or over

9) 4.70% for people under 53 and 6.00% for people aged 53 or over

10) 4.50% for people under 53 and 5.70% for people aged 53 or over

*) Total earnings-based contribution as of 2019 (change in contribution structure), the earnings-based contribution includes the disability pension contribution



Pensions and benefits

Continued growth in numbers of disability pension applications

Keva achieved the target for processing times in all types of pension except for disability pension and rehabilitation applications. Disability pension applications grew as in the previous year causing congestion in the processing of applications. However, the processing times for all types of pension were faster than in 2018.

Work continued on automating the handling process. Since the processing of applications for discretionary pensions and benefits includes an insurance medico actuarial assessment of disability, these processes can only be partly automated.

Priority in processing pension applications was given to applications from persons whose income had been discontinued or threatened to be discontinued. Pension-specific service level targets were not quite reached. This was mostly because of the substantial increase in applications for disability pension and the challenges in processing applications for old-age pensions following the introduction of the Incomes Register.

Customer satisfaction among the insured remained at an excellent level in 2019.

Problems with the rollout of the Incomes Register

The Incomes Register was brought into use at the beginning of 2019 and this caused changes particularly in the processing of old-age pensions. Em-

ployers had problems in reporting earnings and information concerning the end of employment relationships to the Incomes Register. This is why Keva had to resort to using the exceptional procedures to process old-age pensions under the back-up plan drawn up in 2018. Some pension decisions were issued on a temporary basis so as not to disrupt the applicants' livelihood. Once all the information had been verified, pension decisions that could be appealed were issued.

By the early autumn, the worst of the problems were over even though errors resulting from the Incomes Register still had to be corrected towards the end of the year.

The share of online applications continued to rise considerably in all pension types and the target for electronic applications was reached. Delays in the postal service later in the year added to the numbers of online applications. The most popular electronic application is in legal pension types, which do not necessarily require attachments when applying. Use of paper was successfully reduced by honing processes and cooperation with partners, employers and employee customers.

At the end of 2019, the document traffic between the first stage in the appeal process, i.e. the Pension Appeal Board, and pension providers became electronic. The electronic processing of appeal documents applies to all pension appeals submitted after November.

Applications received and decisions issued

In 2019, Keva issued 69,840 decisions of which 61,594 concerned actual pension matters, 7,900 were rehabilitation decisions and the remaining 346 concerned benefits such as financial support, etc. Keva received 69,492 applications, 61,101 of which concerned actual pension matters.

The figures include all applications received and decisions issued concerning local government, State, Church and Kela's salaried employees' pensions (including other benefits). Detailed tables by pension system can be found at the end of this annual report.

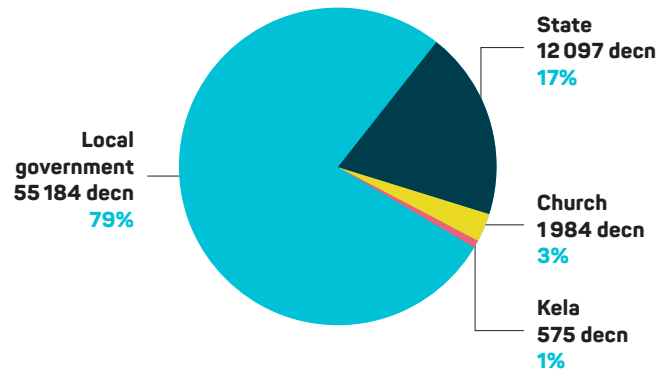
The highest number of decisions by far concerned local government pensions: 55,184 decisions, or 79% of all decisions issued by Keva. Keva issued 12,097 decisions concerning State pensions, 1,984 concerning Church pensions and 575 decisions concerning pensions for Kela's salaried employees.

Faster processing of all pension types

The service level indicator shows that 91.7% (2018: 92.3%) of decisions were issued on time. Processing times of all pension types were shorter than in 2018.

Keva processed old-age pensions in an average of 20 days and disability pensions in an average of 46 days. Processing times of partial early old-age pension applications were fastest, with decisions being issued in an aver-

Decisions issued by Keva by pension system



Total processing time in days for pension applications

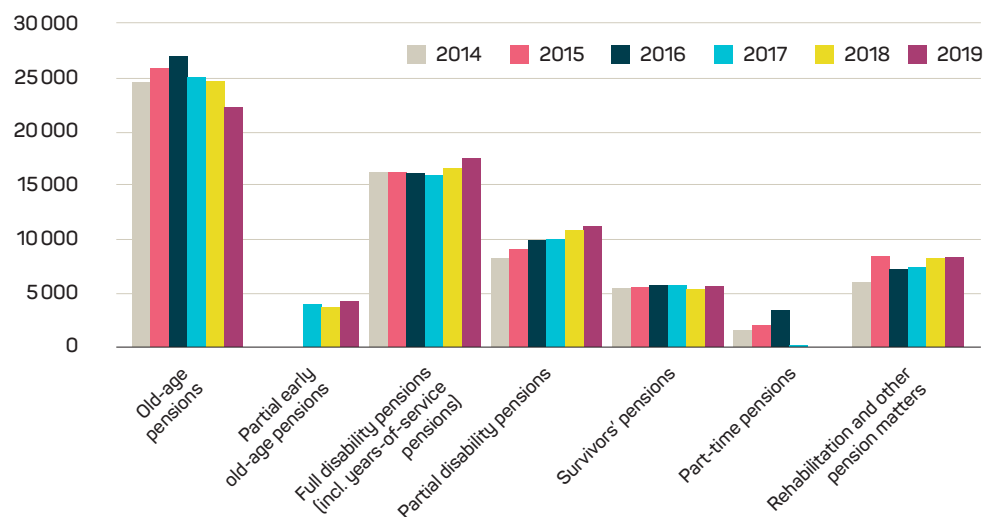
Pension type	2019	2018	Change, days	Private providers 2019
Old-age pension	20	23	-3	21
Partial early old-age pension	7	8	-1	8
Disability pension	46	48	-2	49
Survivors' pension	12	13	-1	20
Rehabilitation	16	17	-1	20

Source: Finnish Centre for Pensions

Number of all decisions by pension type 2019 and 2018

Type	2019	2018	Change, %
Old-age pensions	22 674	24 480	-7,4
Partial early old-age pensions	4 512	3 534	27,7
Full disability pensions	17 518	17 090	2,5
of which new decisions	6 301	6 267	0,5
Partial disability pensions	11 059	11 005	0,5
of which new or preliminary decisions	4 256	4 405	-3,4
Years-of-service pensions	18	9	100,0
Survivors' pensions	5 707	5 553	2,8
Part-time pensions	106	222	-52,3
Other pension matters	346	328	5,5
Rehabilitation decisions	7 900	8 038	-1,7
Total	69 840	70 259	-0,6

Number of pension applications received by Keva by pension type



age of seven days. Rehabilitation applications took an average of 16 days and survivors' pensions an average of 12 days to process.

Keva processed applications for all pension types 1-8 days faster than private pension providers on average.

Compared with 2018, 0.6% (413 decisions) fewer decisions were issued. There was great variation between pension types. For example, 7.4% fewer old-age pensions were processed than a year earlier, whereas there was a 27.7% rise in partial early old-age pensions. There was a slight rise in the number of disability pension decisions issued, with 2.5% more full disability pensions and 0.5% more partial disability pensions being processed than in 2018.

The fall in the number of old-age pension decisions was due to the 2017 pension reform. The rise in the pension age will gradually begin to bite and old-age pensions will be applied for later than before as the lower age threshold for old-age pension rises. The number of old-age pension applications (22,302) was down by 9.5%. A total of 22,674 old-age pension decisions were issued.

The number of partial early old-age pensions was record high, with 4,512 decisions issued: 69.8% of these decisions concerned a pension of 50% and the remainder a pension of 25% or switching from a 25% to a 50% partial early old-age pension.

The last new part-time pensions began in 2017. Despite this, Keva issued 106 decisions in 2019 to suspend or cancel part-time pensions.

Growing number of disability pensions

Keva issued a total of 28,595 disability pension decisions.

The number of disability pension applications (28,734) rose by 4.0%, but the growth slowed slightly. Keva received 5.2% more applications for full disability pension and 2.2% more for partial disability pension than in 2018. The increase in disability pension applications centred on renewed applications: renewed applications for full disability pension were up 5.5% and for partial disability pension 9.2%. There was a slight fall, 0.8%, in the number of new applications for partial disability pension, whereas new applications for full disability pension were up 4.4%.

The number of rehabilitation decisions fell 1.7% to 7,900 decisions and the number of rehabilitation applications fell similarly, 1.1%, to 8,007 applications.

The years-of-service pension has yet to gain traction and Keva issued 18 years-of-service pension decisions in 2019. A years-of-service pension is intended for persons whose capacity for work has become permanently impaired and who have worked at least 38 years in a strenuous job that requires great effort.

Keva issued 346 decisions concerning other pension matters, an increase of 5.5%. The number of survivors' pension decisions was up 2.8% to 5,707 decisions.

All in all, Keva received 69,492 pension applications, 0.9% fewer than in 2018. Keva issued roughly the same number of decisions, 69,840, as in 2018. A total of 40,924 pension decisions were issued on the basis of new pension applications and 36,793 of these decisions were favourable.

Keva rejected 25.5% (2018: 23.8%) of new applications for disability pension. The average rejection rate by private pension providers for new appli-

cations for disability pensions was 33.6%. The rejection rate in rehabilitation decisions was 22.3% (2018: 16.5%) and the corresponding rate for private pension providers was 30.0%.

Online application gaining traction

Online applications in 2019 rose to account for 46.6% (2018: 40.9%) of applications received. Last year, 72.4% (2018: 66.6%) of old-age pension applications and 26.3% (2018: 18.9%) of all disability pension applications were made online.

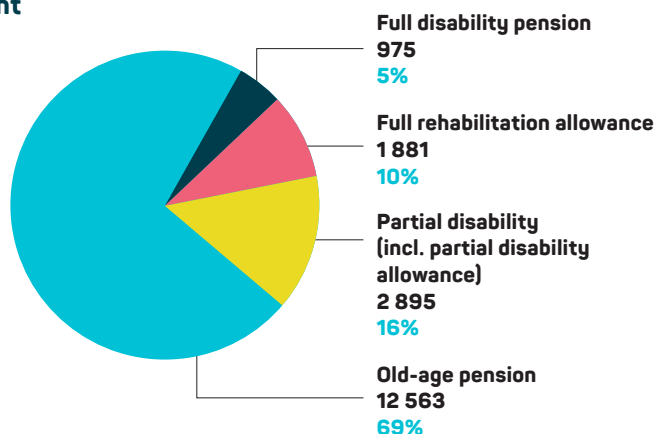
Change in the operating environment impacted application numbers

Based on the current age and occupational structure of persons insured for earnings-related pension in the public sector, no unexpected changes are anticipated in pension applications, but as the lower age threshold for old-age pension rises, applications for old-age pensions will be made later than earlier. On the other hand, changes in the operating environment, including the outsourcing and privatisation of services, a falling birth rate and the health and social services reform can have implications for the number and structure of the insured and thus also for the number of applications that are difficult to predict.

Pension decision rectification procedure

In 2019, Keva processed a total of 1,542 appeals filed with the Pension Appeal Board against Keva's own decision in the "self-rectification" procedure. Of these, 1,200 involved work

Number of persons taking retirement by pension type



ability assessment. Keva rectified a total of 13.7% (2018: 9.2%) of all appeals and 12.7% (2018: 8.9%) of appeals against work ability assessment. The remaining appeals were submitted to the Board for consideration.

In 2019, Keva also processed 244 appeals filed with the Insurance Court against decisions issued by the Pension Appeal Board. Of these appeals, 225 concerned work ability assessment and Keva rectified 3.7% (2018: 2.3%) of these.

The Pension Appeal Board revised 10.9% (2018: 13.9%) of all the rejections concerning disability pension issued by Keva that the Board considered and 13.3% (2018: 15.3%) of decisions concerning disability pensions. The Insurance Court revised 12.8% (2018: 5.9%) of Keva's decisions that had been appealed.

Persons retiring

A total of 18,314 employees retired from the service of local government, the State, the Church and Kela. The average age of persons retiring was 60.9 years, the same as in 2018. An examination by pension type shows that the mean age of persons retiring remained the same or rose in all pension types except full disability pension.

The percentage of persons retiring on an old-age retirement decreased by

1.1 bp to 68.6% of all persons retiring. The average age of persons retiring on an old-age pension was 64.0 years, which was 0.1 year older than in 2018.

Persons retiring on full disability pension (including cash rehabilitation benefits) did so at an average age of 52.4 years, 0.1 year younger than in 2018, and persons retiring on partial disability pension did so at an average age of 56.1 years, 0.2 years older than in 2018. Also persons starting to receive a new partial disability pension are counted as having retired even though they continue to work alongside drawing a pension.

Rise in mental health reasons

A total of 5,751 employees retired on a disability pension, 2.9% fewer than in 2018. Musculoskeletal disorders were the most common reason for disability and accounted for 35.3% of primary disorders in people retiring on a disability pension. Mental health disorders were the reason in 31.5% of cases of persons retiring on a disability pension. There was a slight decrease in the diagnosis of onset musculoskeletal disorders, i.e. the number relative to the insured decreased slightly. The number of mental health diagnoses grew 1.9%, but the number of the insured also rose and the onset has not changed compared to 2018.

Expected effective retirement age depicts the age at which employees

currently aged 25 would on average retire if future retirement patterns remain exactly the same as in the year under review. The expected effective retirement age for a 25-year-old employee was 61.4 years (2018: 61.1 years) in local government service and 63.0 years (2018: 62.7 years) in State service (excluding military personnel).

Appendix: Pension system specific tables

Pensions paid

Total pension expenditure by Keva member organisations in 2019 was EUR 5,488 million, including financial support and rehabilitation expenditure, an increase of EUR 258 million (4.9%) on total pension expenditure in 2018. At year-end, there were around 413,000 pension recipients, just under 2% more than a year earlier.

In 2019, Keva paid out EUR 4,761 million in State pensions, an increase of around EUR 86 million or just under 2% compared to a year earlier. At year-end, there were around 247,000 State pension recipients, a decrease of about 2% compared to a year earlier.

Keva paid out around EUR 212 million in Evangelical Lutheran Church pensions, an increase of about 4% compared to 2018. Pension expenditure on Kela's salaried employees was around EUR 105 million, an increase of some 2% compared to a year earlier.

The State, Evangelical Lutheran Church and Kela funded their own pensions by paying Keva a monthly advance determined by the Ministry of Finance. At the end of the year, this advance was then adjusted against actual pension expenditure. This adjustment will result in Keva returning around EUR 35 million to the State and EUR 0.9 million to Kela and charging the Evangelical Lutheran Church an additional sum of around EUR 2.1 million. These items were recognised in the financial statements as adjustments to advance payments.



Working life services and support for continuing at work

Keva reached the strategic targets for continuing at work in the local government and State sectors.

The percentage of persons retiring at the earliest retirement age of 63 years accounted for 62% of all persons retiring in the local government sector and 67% in the State sector. This was 3 bp above target in both sectors. The percentage of persons retiring on partial disability pension accounted for 50% of all persons retiring on disability pension in the local government sector and 48% in the State sector. This was 5 and 8 bp respectively above target.

Wider use of digital services

Keva's working life services provide effective strategic work ability management services to employer customers. These services strengthen the long-term work ability of employees and prevent work ability risks from materialising.

The focus areas in developing working life services in 2019 were increased digital services, strengthening multi-vocational service and expanding the provision of working life services to State employer customers.

Coverage of the Key Data online service improved significantly during the year. By year-end, 392 organisations had started to use the service, which represent EUR 15.4 billion of the sum of wages and salaries, and 85% of the insured in local government. Spring 2020 will see Key Data services being made available to State and Evangelical-Lutheran Church employers. Preparations for this were made in 2019.

Local government customers using the Key Data service in 2019

share of member organisations using the service	36%
share of the sum of wages and salaries of service users	85%
share of the insured using the service	85%

June saw the introduction of a digital employee and wellbeing at work survey that employer customers can implement as a self-service. During the year, 27 organisations, employing 21,000 employee customers, did the wellbeing at work survey. A self-assessment service for active support was developed in 2019 and will be rolled out during 2020.

In November, Keva opened a digital learning environment for work ability management. This enables competence development irrespective of time and place, supports the use of digital working life services and acts as a learning platform for development networks. By year-end 2019, 34 organisations had deployed the service.

A work ability paths learning game was developed during 2019. This digital learning game makes visible the work ability support processes and actors' cooperation. In addition, the game illustrates the opportunities that exist to impact the costs of disability. The learning game has been designed for HR, immediate supervisors, work ability coordinators and occupational healthcare workshop coaching and will be rolled out in early 2020.

Diverse services for employer customers

Keva consulted 86 employer customers in work ability management and in

matters relating to occupational healthcare collaboration. Employer customers gave the work ability management 360-degree analysis excellent feedback and the analysis was developed to make customers engage more. The total of 360-degree analyses done was 21.

During the year, Keva facilitated a number of development workshops where customers came together to develop activities to strengthen work ability. In the same context, a national work ability management network and regional HR networks were prepared on the basis of the country network. In the networks, with the help of peer learning and expert support, customers develop long-term work ability management in their own organisations. A total of 97 organisations took part in the networks.

Work ability management webinars and workshops open to all employers reached 205 different organisations. Keva continued the EKJ coaching programme for supervisors and middle managers in cooperation with the Association of Finnish Local and Regional Authorities, Local Government Employees KT and FCG.

Employer customers and Keva launched pilot career services that can have a proactive impact on the work ability of the insured. The first stage saw the development of a concept whereby the career approach becomes

part of the supervisor's work in an organisation and employees are coached in career design.

Development funding and effective research

Workplace wellbeing promotion grants are intended for innovative and effective workplace development activities in local government and the Church to strengthen strategic work ability management, prevent disability risk, increase wellbeing at work and promote workplace productivity. Keva holds an annual competition for promotion grants. In 2019, a total of EUR 500,000 was shared between 18 Keva employer customers. The rules of the workplace wellbeing promotion grant were overhauled and now the sum allocated will better support peer learning in the projects funded.

The publication service, "Studies to support career" for research data collected by Keva was published on Keva's website at keva.fi.

Keva's study of the effectiveness of vocational rehabilitation was published in January 2020. The study explored how vocational rehabilitation is used in the public sector, how successful rehabilitation is and what customers think about it. The findings will be drawn on in the development of co-operation between Keva, employer and

employee customers and occupational healthcare.

The theme of the 2019 annual Keva Day was capacity for renewal. The event dealt with renewal from the angle of the individual, organisation and entire society. The event was attended by 670 persons, around 10% more than in 2018, either in person or online. Attendees gave the event excellent marks: 4.4/5. During the event, the handle the hashtag #kevapäivä19 was among the most followed topics on Twitter in Finland and attracted hundreds of thousands of views and triggered hundreds of discussions.

Rehabilitation services for customer needs

Keva developed digital tools to support the implementation of vocational rehabilitation and to enable more efficient and effective rehabilitation services. Of the positive decisions on the right to vocational rehabilitation, 40% were given in conjunction with the processing of a disability pension matter and 60% were based on customer applications.

In 2019, 67% of decisions on rehabilitation interventions involved workplace work try-outs, investigational work try-outs or job coaching, 16% of intervention decisions concerning training and 16% assessment by the

rehabilitation service provider. The aim in vocational rehabilitation is to increase the amount of training and coaching and this aim was met in 2019.

Of the rehabilitation interventions completed, 78% were successful, with the persons rehabilitated able to be available on the labour market after completing the programme.

Keva provided the possibility for around 450 persons whose pension application had been rejected to take part in a review with an external expert. During the review, persons whose pension application had been rejected are provided with information and guidance to assess their own situation, the possibility of returning to work and to explore their livelihood. Each year, around 20% of persons undergoing the review return to work.

The situational review service was overhauled during 2019. During the 2020-2021 contract period, situational reviews will be offered at 29 service provider points across Finland. The situational review will focus more clearly on starting the rehabilitation process and ensuring a rehabilitation plan for those whose disability application is rejected.



Investment operations

The investment market was marked by uncertainty in early 2019. In the last quarter of the previous year, risk-bearing investments had lost a considerable amount of their value on the capital markets and annual returns in 2018 were in negative territory for most investors.

Interest rates remained at a very low level at the start of 2019. The equity markets had had a good run for many years since the financial crisis, even though the fourth quarter of 2018 bucked this good development. The capital markets were concerned about global growth and the sustainability of that growth. There was also uncertainty surrounding political and partly even military stability in different parts of the world. In addition, concerns about the trade war resounded throughout the year. However, in the end, 2019 turned out to be an excellent year for investors.

Keva's 2019 investment year was successful. All asset classes were in positive territory. Returns on large asset classes, i.e. fixed income and equity investments ultimately rose surprisingly high.

Keva's investments EUR 56 billion

At the start of 2019, Keva's investment had a market value of EUR 47,498 million. At year-end, the investments had a market value of EUR 53,272 million. The market value of investments used to calculate return includes not only the investments but also transferred interest included in accrued income as well as other items

totalling EUR 2,894 million. Taking into account the items, the market value of tied-up capital totals EUR 56,166 million. This breakdown of imputed returns has been used to calculate the breakdown for each asset class.

Investments are divided into fixed interest, equity, real estate, private equity and hedge fund investments. Fixed income investments are loans, bonds and money market investments. Keva manages some of the investments, others are managed by external asset managers. Targeted returns are additionally hedged using derivative instruments, the effects of which on allocation by asset class are taken into consideration in the figures that illustrate the risk-adjusted distribution of investment assets.

Total return above 12%

Of the different investment assets, listed equities (23.4%), private equity investments (11.1%) and real estate investments (7.3%) performed best. The return on fixed income investments was 6.6% and on hedge funds 4.7%.

At year-end, fixed income investments (including the effect of derivatives) accounted for 38.6% of the risk-appropriate market value of Keva's investment assets, listed equities for 37.7%, private equity investments (including unlisted equities) for 10.4%, hedge fund investments for 7.0% and real estate for 6.3%.

After costs, the total return on Keva's investments at market value was 12.8%. The cumulative capital-weighted real return on investments since funding started in 1988 to year-end

2019 was 4.2% a year. The average real return, excluding capital weighting, over the same period was 5.3%. The five-year nominal return without capital weighting has been 5.8% and the real return 5.1%. The ten-year nominal return without capital weighting has been 6.8% and the real return 5.4%.

Fixed income investments

At the start of 2019, market interest rates were still very low. The policies of the European Central Bank and the US Federal Reserve were again particularly instrumental for the development of the capital markets. The European Central Bank had to accept the fragmented economic situation in the euro area and nor was the bank able to drum up capabilities to act in the likely event of worsening economic trends. Also in the United States, the Fed switched from a tighter policy to a more stimulatory one.

Keva's investments in bonds and fixed income funds had a market value of EUR 17,395 million at year-end 2018. The market value return on bonds was 7.8%.

Loans, excluding those granted to Keva companies, totalled EUR 124 million at year-end 2019. The loan portfolio contracted by EUR 31 million during the year and the market value return on these loans was 0.9%.

Other money market instruments and deposits totalled EUR 3,694 million at year-end 2019.

A total of EUR 141 million in interest income was booked on fixed income investments. The market value

return on all fixed income investments was 6.6%.

Equity investments

For equities, 2019 exceeded expectations. Despite relatively large differences between markets, the year as a whole was an excellent one for equities.

The MSCI index (EUR), which illustrates the average performance of the world's equities ended 2019 at 30.1%, compared to -4.4% a year earlier. Measured by the Stoxx 600 index, the return on European equities was 26.8% (2018: -10.8%). The return on Asian equities (MSCI Asia-Pacific) was 21.7% (-9.4%).

At year-end 2019, the total market value of Keva's listed equity investments was EUR 21,617 million. Dividends received on equity investments totalled EUR 103 million. The market value return on listed equities was 23.4%.

Real estate investments

Keva's real estate portfolio consists of direct investments in Finnish and Nordic real estate and real estate shares as well as investments in Finnish and foreign real estate funds. Real estate funds account for 25.0% of real estate investments.

Keva develops its real estate portfolio by investing diversely in i.a. residential, office, shopping centre and hotel properties. Keva began to diversify the geographical spread of its real estate portfolio to other Nordic countries in 2015, starting with investments in Sweden and followed by Denmark in 2017.

The year-end market value of real estate and real estate shares was EUR

3,565 million, of which real estate funds accounted for EUR 893 million and traditional loans in real estate companies accounted for EUR 193 million. In addition, Keva had real estate investments of EUR 46 million in properties in its own use, but these are not included in investment operations.

At year-end 2019, the 133 real estate companies owned by Keva has a total lettable area of around 870,000 m². There were some 4,200 leases in place generating a net rental income of EUR 103 million. The market value total return on direct real estate investments was 7.5%.

Investment commitments made in Finnish and foreign real estate funds totalled EUR 2,368 million, of which undrawn commitments amounted to EUR 938 million. The market value return on real estate funds was 6.7%.

The market return value on all real estate investments was 7.3%.

Private equity and hedge fund investments

The private equity investment landscape was again rather good in 2019. The hedge fund landscape also improved compared with the previous year.

At year-end, Keva's private equity investments had a market value of EUR 5,817 million, of which investments in unlisted companies accounted for EUR 610 million. Investment commitments made to private equity investments in equity funds and as a silent partner totalled EUR 11,029 million, of which undrawn commitments amounted to EUR 4,762 million. The market value return on private equity investments (excl. unlisted equities) was 11.2% and the return on unlisted equities was 10.3%.

Investments in hedge funds had a market value totalling EUR 3,953 million at year-end and the market value return on hedge funds was 4.7%.

Steering of investment operations

Keva's strategy determines the key principles for funding the local government pension system. The strategic objectives set for investment operations are derived from these principles.

Keva's Board of Directors considerably revised Keva's steering of investment operations in 2017 and the Board adopted Keva's investment beliefs for the first time. These beliefs describe the general starting points, irrespective of time and situation, on which our investment and organisation of investment operations are based.

In the shorter term, the Board of Directors steers investment operations and approves an annual investment plan which also includes investment authorisations.

Keva's Board of Directors adopted the current investment beliefs on 24 May 2017 and the investment strategy on 15 June 2017. Implementation of the investment strategy continues until 2020-2022.

Responsible investing

The returns needed to cover pension liability are driven by economic growth and generated in the long term. Sustainable economic development is an essential factor in the pursuit of long-term returns. At Keva, responsible investing has become an integrated part of long-horizon investment operations.

Keva's Board of Directors has decided on the key principles of social

**Investments at fair value
31 Dec 2019**

	€m	%
Fixed income investments	21,213	37,8%
Equity investments	21,617	38,5%
Real estate investments	3,565	6,3%
Private equity investments	5,817	10,4%
Hedge funds	3,953	7,0%
Total	56,166	100%

**Forex allocation of investments
at fair value 31 Dec 2019**

	€m	%
EUR	26,891	47,9%
USD	24,828	44,2%
JPY	2,032	3,6%
GBP	774	1,4%
SEK	347	0,6%
CHF	289	0,5%
Other	1,006	1,8%
Total	56,166	100%

**Geographical allocation
of investments at fair value
31 Dec 2019**

	€m	%
Europe (excl. Finland)	18,326	32,6%
North America	16,550	29,5%
Finland	10,250	18,2%
Emerging markets	8,404	15,0%
Japan	2,031	3,6%
Other	605	1,1%
Total	56,166	100%

responsibility to be complied with in Keva's investment operations. The Board of Directors has also outlined the ways of working and procedures to be used to ensure that social respon-

sibility is integrated into the investment process.

The Board of Directors receives regular reports on how responsibility has developed in investment opera-

tions. Keva's own ways of working are supplemented with information that Keva obtains from external service providers specialising in responsible investing.



Subsidiaries and associated companies

At year-end 2019, Keva owned in whole or in part a total of 129 Finnish real estate companies, two more than a year earlier. Keva owned 109 Finnish real estate companies in full and had a majority holding in eight others. There were seven associated companies

(holding of 20-50%) and five real estate companies in which Keva had a smaller holding.

In addition to Finnish real estate companies, Keva had a 49% holding in a real estate company set up in Sweden and a 100% holding in a Danish

company. These companies manage real estate investments in those countries.

Besides real estate companies, Keva held the entire share capital in Kuntasijoitus KE Oy and had a 30.66% holding in Municipal Finance Plc.



Pension liability fund

The difference between Keva's annual income and expenditure is added to or deducted from the pension liability fund. At year-end 2019, the fund stood

at EUR 56,544 million, which was EUR 6,051 million or 12% higher than a year earlier.



Net present value of accrued benefits in Keva member organisations' pension system

Based on the provisions of pension legislation, the value of benefits that have accrued in Keva member organisations' pension system, but which have not yet been paid, clearly exceeds the value of the pension liability fund. The net present value of the accrued benefits was estimated to have been EUR 123 billion at year-end 2018.

During 2019, the net present value of the accrued benefits grew by EUR 3 billion to EUR 126 billion. Since at the same time the pension liability fund grew, the net present value of the unfunded benefits decreased by EUR 3 billion during the year.

The estimate of the present net value of accrued benefits is based on

the best available information on mortality rate and other trends. However, this is just an indicative estimate of the current situation of the pension system and changes in the assumptions used in calculation may alter it significantly.



Operating costs, depreciation and statutory payments

Operating costs and depreciation

Keva's operating costs and depreciation before reimbursements received (gross operating costs) in 2019 totalled EUR 89.4 million, which is EUR 8.2 million or 10% higher than in 2018.

The largest individual cost item was personnel costs, which were EUR 41.6 million, which was EUR 2.8 million or 7.3% higher than in 2018. IT costs increased by EUR 3.1 million or 13.9% to reach EUR 25.1 million. Other operating costs were EUR 15.5 million, EUR 1.4 million or 10.2% higher than in 2018.

Keva received reimbursements totalling EUR 18.5 million (2018: EUR 18.1 million) for operating costs and depreciation for managing the pension provision of Keva member organisations. Of this reimbursement, the State paid around EUR 15.3 million, the Evangelical Lutheran Church around EUR 2 million and the Social Insurance Institution of Finland Kela around EUR 0.6 million.

Higher operating costs

Keva's net operating costs, including reimbursements received, reflect the

costs of managing the pension provision of Keva member organisations. In 2019, these costs were EUR 70.8 million, which was EUR 7.7 million or 12.2% higher than a year earlier.

When examined by function, the gross costs of pension operations were EUR 47.4 million, up 4.4% on the figure a year earlier. Taking into account the reimbursements received, the costs of pension operations rose 4.9%.

The costs of investment operations were EUR 20.1 million or 18.1% higher than in 2018. No reimbursements were allocated to investment operations. Gross operating costs for administration were EUR 21.8 million, 16.3% higher than year earlier. Taking into account the reimbursements received, operating costs for administration rose 21.6%.

IT expenditure and office building improvements

Keva spent EUR 9.1 million on IT software and hardware, EUR 0.4 million more than in 2018. The most significant IT expenditure (EUR 4.1 million) was on replacing the pensions payment system and this work will continue until 2021. EUR 1.1 million was

spent on the pension payment calculation system.

EUR 6.2 million was spent on improvements to Keva's office building in Unioninkatu. Renovation investments in the building were completed in 2019.

Depreciation according to the plan

Depreciation according to the plan in 2019 was EUR 7.1 million, EUR 0.8 million more than in 2018.

Statutory payments

Statutory payments refer to Keva's share of the costs of the Finnish Centre for Pensions, the Pension Appeal Board and the Financial Supervisory Authority. These costs totalled EUR 9 million, EUR 1.3 million more than in 2018. Around EUR 2.3 million of these costs were paid by the State, the Evangelical Church and the Social Insurance Institution of Finland Kela.

Keva received EUR 20.2 million, EUR 0.7 million more than in 2018, in reimbursements for operating costs from the State, the Evangelical Church and the Social Insurance Institution of Finland Kela.



Administration

Keva's highest decision-making authority is the Council, the members of which are appointed by the Ministry of Finance for the electoral period. The Council has 30 members, 26 of whom are appointed on the basis of a proposal by the Association of Finnish Local and Regional Authorities, which is based on the results of the municipal elections. Four members are appointed based on a proposal by the main municipal negotiating organisations. The Council started its term of office on 1 September 2017 and the term will last until the end of August 2021.

The Council was chaired by Mr Harri Jokiranta, a project manager from Seinäjoki and the Deputy Chair was Ms Maarit Ojavuo, HTM from Kajaani.

The Council convened twice in 2019. The attendance rate of the Council's ordinary members was 90% and 93% when deputy members are included. Council members are paid an attendance fee of EUR 400 for meetings, in addition to which the chair and deputy chair are paid an annual fee of EUR 9,000 and EUR 8,000 respectively. Council members were paid total attendance fees of EUR 32,575.

Board of Directors unchanged

Keva's administration is the responsibility of the Board of Directors, which the Council elects for a two-year term of office. Since the main negotiating organisations were unable to reach agreement on their representation, Keva's new Council elected for the term of office 2017-2021 did not elect a new Board of Directors in their meet-

ing of 8 September 2017. Under the Act on Keva, the term of office of the Board of Directors continues until a new Board is elected.

Ms Minna Arve MSc (Econ. and Bus. Adm.), Mayor of Turku, chaired the Board of Directors. Mr Kari Nenonen served as deputy chair. Other members of the Board were Ms Heini Jalkanen, Business Director; Ms Heli Järvinen, Member of the Finnish Parliament; Mr Harri Virta, managing director; Mr Raimo Vistbacka LL.M.; Markus Lohi, Member of the Finnish Parliament; Mr Risto Kangas, Director at the Negotiation Organisation for Public Sector Professionals (JUKO); and Ms Päivi Niemi-Laine, Chief Executive Officer at the Union of Local Government Employees.

The Board of Directors convened 13 times during the year. The attendance rate of ordinary members was 92% and 97% when deputy members are included. The Council's chair and deputy chair also have the right to attend and speak at Board of Directors' meetings. Board members receive an attendance fee of EUR 400 for meetings, in addition to which the chair receives an annual fee of EUR 18,000, the deputy chair a fee of EUR 10,000 and members receive a fee of EUR 8,000. Board members were paid total attendance fees of EUR 54,400.

Term of office of advisory committees continues

In addition to the Council and Board of Directors, Keva's statutory bodies include the Investment Advisory Com-

mittee, whose 10 members are appointed by the Board of Directors for its term of office. The Investment Advisory Committee includes representatives of municipal negotiating organisations, the Ministry of Finance and the Ministry of Employment and the Economy. Mr Seppo Juntti, Financial Director, chaired the Investment Advisory Committee and Ms Terttu Savolainen, Director of the Regional Administrative Agency of Northern Finland, served as deputy chair. The Investment Advisory Committee did not convene in 2019.

Under the Standing Orders, the Board of Directors elects a Working Life Development Working Group for its term of office. The Working Group is tasked with developing measures to maintain the health and ability to work of municipal employees. The Working Group has 12 members, six of whom are chosen on the basis of proposals by the main municipal negotiating organisations. The Working Life Development Group was chaired by Mr Aki Lindén, Chief Executive Officer of HUS Joint Authority. The Working Group convened once during the year. The Working Group's term of office continues in the same way as that of the Board of Directors.

Management Group met 39 times

Mr Timo Kietäväinen MSc SocSc served as Keva's CEO and Mr Tapani Hellstén and Mr Kimmo Mikander served as deputy CEOs. Mr Hellstén's primary remit in 2019 was pension and working life services, while Mr Mikander was

responsible for customer relations and services.

The CEO is supported in managing Keva by the Management Group, which meets on a regular basis. The Management Group prepares matters for submission to the Board and considers also other issues central to the management and planning of operations. The Management Group met 39 times during the year.

The Management Group was chaired by CEO Timo Kietäväinen and its members were deputy CEOs Tapani Hellstén and Kimmo Mikander, CIO Ari Huotari, CFO Tom Kåla, IT Director Tomi Heinonen, HR Director Mika Gylén, Communication Director Reija Hyvärinen and staff representative, shop steward Leila Ahlström. Administrative Director (acting) Markus Mankin served as secretary to the Management Group.



Personnel

At year-end 2019, Keva employed 528 people (2018: 537), of whom 15 were temporary. Women account for 68% of Keva's personnel and the average employee age was 49.8 years (2018: 49.9 years). There were 41 permanent employees who left Keva (2018: 26 persons).

Personnel and strategic directions

In March 2019, Keva's Board of Directors adopted the new strategy. The corporate culture development project initiated in earlier years was completed and, based on the strategy, a new personnel programme was built for the years to come. The Board of Directors set Keva more challenging financial and HR frameworks than in earlier years and these will force us to improve the efficiency of our operations and improve our ways of working.

The personnel considered the change required by the new strategy by, among other things, playing a strategy game. This gave rise to a discussion on the implications of the strategy for everyday work. Keva employees have been involved in strategy development programmes and projects in many other ways.

The HR programme will lead to the development of the HR structure and competence in the direction defined in the strategy. Workshops were held to collect for the programme views on other changes in business operations and their implications for the personnel. It is essential to improve efficiency and customer experience. This will be reflected in the automation of operations and streamlining of processes.

Also the personnel's competence requirements will change as operations change. The guided work culture

is transiting towards a culture where the focus is increasingly on development, efficiency, doing things together and customer understanding. This will also require a change in management towards a more target oriented and coaching direction.

The HR programme defined the actual projects to implement the change. Most of the projects will not start until 2020 once sufficient progress has been made with organisational change based on the strategy and the reform of the management system.

It is also important in the change to consider the personnel's engagement and ability to work. At Keva, the change and the background for it is continuously communicated on the intranet and in regular dialogue in unit, team and HR info events. There were 12 personnel info events in 2019.

Keva employees' work vibe is measured weekly using the Kevafiilis pulsometer. If wellbeing weakens, management is able to put in place remedial measures where required. The work vibe of employees remained at a steadily good level, which reflects successful change management.

New ways of working

The beginning of 2019 saw the introduction of a mobile worktime tracking system to replace terminal devices. Now everyone is able to plan their use of time more effectively and at the same time reduce the administrative work relating to working hours accounting.

In spring, the performance bonus was distributed on the basis of the new performance assessment. The new assessment resulted in a more uniform outcome than earlier.

Teleworking has increased steadily

since the teleworking practices were overhauled in 2018.

HR processes were electrified: HR decisions are made and HR information is managed and archived electronically. This smooths supervisory work. Efforts have been made to support supervisory work also by adding reminders to electronic systems.

Keva has discontinued traditional training planning based on unit needs surveys and training modules will be organised in order to achieve the goals derived from the strategy.

During 2019, the entire personnel switched to working in the office building at Unioninkatu in Helsinki once the new working environment was completed in the spring and other office premises were vacated.

Work on job demand assessment was completed during the end of the year and each employee was given demand information for their own job. Demand assessments were already used earlier in allocating salary increases. Now they provide a good basis for a more coherent salary policy, which will also bring about a better gender equality review.

The cooperation body met more frequently, i.e. once a month. This enables the cooperation body to take a timely stance on the constant change at Keva.

Support for Keva employees' ability to work and competence

Occupational healthcare partnership has become established at a good level.

During 2019, Terveystalo conducted a workplace survey in Investment operations and general management. In addition, a workplace survey was

conducted in Internal services because digitalisation has greatly changed the unit's work in recent years. Workplace surveys will continue one function at a time in coming years.

Employee sickness rose by just under 2% compared to 2018. On the other hand, at the same time the personnel's health percentage rose, and 38% of the staff were not ill at all during 2019.

Keva aims to increase measures to support the prevention of absences and sicknesses and to support ability to work. Total occupational healthcare costs were up 7% compared to last year. This growth in costs was particularly attributable to the cost of proactive activities to support ability to work.

Keva has an active support model in place to support and maintain ability to work. Use of the model has enabled managers to be proactive in intervening if the work ability of those under

them weakens. This has contributed to lower sickness absenteeism.

As in earlier years, wellbeing in the workplace was supported through culture and exercise. Keva also offers its employees culture and exercise vouchers as well as employer-subsidised commuter tickets.

As in earlier years, performance appraisals set individual goals for Keva employees. Performance assessment was overhauled in the appraisals.

Strategy themes in supervisor training

In 2019, the development of employee competences focused on the themes of change in work, which included learning and renewal, the relevance and values of work, customer orientation, interaction and dialogue as well as data analytics.

The coaching management ap-

proach module that had started in 2018 was successfully completed in 2019. Besides this, the focus was on key themes in the new strategy such as customer orientation and the reform of Keva. Supervisor training dealt with learning and skills, performance management and employee experience. Supervisors were also given support in practical supervisory work and maintaining their own ability to work.

Joint events involving employees and supervisors focused on building joint understanding, interaction and putting lessons learned into everyday working life.

The results of the employee survey conducted in 2018 were processed in early 2019 and, based on the results, the units and teams drew up development plans. A new employee survey was carried out at the end of the year.



IT

Keva's focus in 2019 was on developing digital services, automation and knowledge-based management. The plan is also to further speed up service development in line with Keva's strategy.

Extensive automation services, such as software robotics, user interface improvements and customer service automation improved services provided to customers. The activities of software robots expanded significantly with the introduction of the advisory robot Ilona, who started to support customer service on keva.fi, and a new automated platform helped to develop system integration. Keva has been using software robots to enhance internal operations since 2018.

During the year, work continued on system automation and the development of internal operating processes. Resources were focused to improve production applications and infrastructure solutions, and ways of working were revised to enhance pension systems' performance and reliability.

Agile development methods were used to improve services and during the year the IT unit piloted networks based on capability areas in its operations.

Modern data hotels and IT improve data use efficiency

Using Keva's data, the management base and the operational management of customer relationships and internal activities were further developed as planned. Keva continued work on the data hotel and reporting development

project, which aims to automate report writing, data transfer between systems and other work stages currently done by hand. A major milestone in this was achieved with the completion of the MasterData project and customer information CRM. Keva's core customer relationship management data was collected on one MasterData database, from where it can be centrally accessed by different systems and others requiring information.

Keva is developing its capabilities for knowledge-based management and building automation and analytics on cloud-based platforms, data hotels and solution architecture. Looking ahead, Keva aims to use these to analyse and utilise data in an easier, broader way and improve the efficiency of business processes.

Keva also began to utilise smarter analytics and reporting solutions and introduced a model to support the medical decision for disability pension applications using artificial intelligence. In the same context, a start was made on longer-term planning for total automation at Keva.

Online services for employer and employee customers

Keva's strategy and values guide the provision of customer-oriented and quality services both to employer and employee customers. Keva wants to renew and to better understand its customers and respond to their needs. The IT unit was actively engaged in customer-oriented development in

2019 in cooperation with a customer panel.

The new customer relationship management system (D365, CRM online) is user friendly and among other things supports customer service managers in different needs throughout the customer relationship lifecycle. The system is used to efficiently deal with customer service requests and feedback from these is monitored. The system combines the data of companies in the same group and thus supports the management of group customers. The customer relationship management system can also be used to coordinate also customer communication and meetings. The system was brought into production use in 2019 and work on expanding the use and further development of the system in different business areas continued throughout the year.

The employers' Key Data service is a digital online service intended to manage work disability costs. Key Data was developed during 2019 and State, Kela and Church customers will be included in the service in spring 2020. At year-end 2019, 392 had signed up for the Key Data service. An Enquiry service was built into the Key Data service to support employers with their independent wellbeing at work efforts.

Keva opened an employer online service as part of the Learning Environment service, which customers can use to study work ability management and work ability support processes independently.

Keva improved the usability, ac-

cessibility and communication service properties of the My Pension service for employee customers. In addition, changes required by the national Incomes Register were made to the service. The mobile earnings-related pension card, first launched by Keva, was further developed.

Work continued on development of the new pension payments system. The new payments system (Emma) will replace the old system, which has come to the end of its lifecycle. Emma is expected to be completed in the first half of 2021 and will allow greater automated processing and better customer service.



Internal control

Internal control means all the procedures, systems and methods through which Keva's management aims to ensure efficient, economical and reliable operations. Besides daily control measures and supervisory control, risk management, compliance and internal auditing are also fundamentals of internal control.

Risk management

Risk management is part of Keva's management and internal control. It encompasses values, corporate culture, organisation, processes and structures that represent the realisation of opportunities and which are used to manage adverse consequences. The Board of Directors, CEO and Management Group receive up-to-date comprehensive information about the risks relating to operations. This improves decision-making and preparation for the future.

Keva's Board of Directors adopts an annual risk management policy and plan, including the aims for risk management development and management of key risk groups for the following year.

Risk management as part of strategy execution

Risk management in 2019 was closely linked to different stages in the execution of Keva's new strategy. Keva strengthened the integration of the risk management process into its reputation management. In addition, strengthening general risk management awareness, the rollout of the risk management process at various levels

of the organisation as well as maintaining and developing systems support in the risk management process were areas for continuous improvement.

Risk surveys were reported to the CEO and the Management Group at six-month intervals. The most significant risks and the means to manage them were reported to the Board of Directors as part of the annual risk management plan.

Keva continued to develop data security and data protection policies, processes and guidelines. Data security and protection risks were highlighted in personnel training. Data security exercises were also held in addition to training. Development work focused on the establishment of the practices and processes required by the EU General Data Protection Regulation and on the development of information systems that comply with data protection and security requirements.

Risk management in investment operations continued to develop risk reporting and the operating and reporting processes and structures of the steering and monitoring system for investment operations.

Management Group adopted contingency plans

To ensure uninterrupted operations, Keva has in place a Keva level contingency plan adopted by the Board of Directors and complementary contingency plans for each function approved by the Management Group.

During the year under review, Keva took part in the FATO2019 exercise arranged by the Insurance Pool and Na-

tional Emergency Supply Agency. FATO2019 practiced and assessed the capability of insurance operators and the authorities to maintain their key functions and cooperation in the event of serious disruptions.

Most significant risks relating to the success of the reform goals

The most significant changes in Keva's operating environment are structural changes in the public sector, digitalisation and the possible merger of the pension systems. Even though these change factors include factors of uncertainty and their ultimate implications are still in many respects open, it is already to be expected that the changes in the operating environment will greatly impact Keva's operations, legal position and role and need for reform. These considerations are also reflected in the strategic risks to which Keva is exposed.

Keva estimates the biggest risk to be the risks inherent in change management. These will materialise if Keva is unsuccessful in implementing its new strategy and in putting the implementation programmes executing it into practice and in reforming the management system and organisation. There is a threat of Keva being unable to reform in accordance with its objectives and thus not succeeding in influencing its operations and competitiveness in earnings-related pensions.

Keva considers a major strategic risk also to be that long-term returns on investments could fail to reach the target level set in the investment strategy. The financial and investment environment is challenging and the

target level is determined on the basis of the funding situation in the pension system at any given time. The cumulative capital-weighted, annual long-term real return on investments between 1988 and 2019 was 4.2%.

Major risks were also assessed as relating to the possible merger of the pension systems. Sufficient time must be allowed for the preparation and implementation schedule, and legislation must ensure a sustainable operating environment for earnings-related pension systems.

Medium-large risks are assessed as relating to Keva's competitiveness in employer customer relationships, building practical alliance models, customer satisfaction and the confidence of lawmakers, the authorities and labour market parties in Keva.

The most significant operative risks in 2019 related to the personnel, operating processes, data systems, data security and data protection as well as to project management.

Market and liquidity risks more important than earlier

The fluctuation in market values is a short-term investment risk. This risk can be measured by the Value at Risk figure (VaR). The VaR figure for Keva's investments calculated on the basis of monthly returns during a two-year period was EUR 1,424 million at year-end 2019, which means that with a 97.5% probability, this is the biggest possible loss on the entire investment portfolio within the time span of one month. The VaR figure at year-end 2018 was EUR 992 million. The VaR figure has risen slightly since the annual volatility has increased (2019: 5.1%) compared to 2018 (3.8%).

Since year-end 2018, Keva's contribution income has no longer covered

all pension expenditure. The importance of long and short-term liquidity in the investment portfolio has become more important than earlier as pension expenditure continues to grow and net income from operations is negative.

Compliance function

Keva has an independent Compliance function which provides support to management and the entire organisation in ensuring compliance with good governance and the external and internal rules steering operations. The Compliance officer reports to the CEO and Keva's Board of Directors.

The Board of Directors has adopted the Compliance policy and action plan under which Keva complies with legislation, regulatory guidelines and internal guidelines. By providing advice and guidelines, the function seeks to strengthen confidence in Keva's operations and to strengthen a responsible corporate culture. Compliance additionally monitors legislative changes relating to Keva's operations and operating environment and provides management with support in preparing for these.

In 2019, the Compliance function prepared a self-assessment of the expertise of members of Keva's Board of Directors in cooperation with Keva's oversight authorities. Cooperation between the oversight authorities, the Ministry of Finance, the Financial Supervisory Authority and Keva was deepened and regular informal meetings were introduced. The Compliance officer chaired Keva's risk assessment working group and acted as secretary in preparing Keva's risk assessment process and documents.

In 2019, the Compliance function

was involved in tracking the progress of key legislative projects affecting Keva and its operating environment and assessed the implications of these projects. One compliance officer has worked at Keva since the start of February.

Insider guidelines

Keva has in place insider guidelines adopted by the Board of Directors.

Internal audit assesses the effectiveness of internal control

Internal audit is part of Keva's control and supervision system and assists and supports the CEO and Board of Directors in their supervisory duties. Internal audit independently and objectively assesses the appropriateness, effectiveness, efficiency and adequacy of the internal control, and risk management of Keva's operations and processes as well as of management and governance procedures. Internal audit also issues recommendations for improvements to these procedures.

Operations are based on the internal audit charter approved by the Board of Directors and on the internal audit plan adopted each year. The function reports to the CEO and the Board of Directors on its work and the conclusions made.



Outlook

Slowing economic growth

Keva's operating environment will see major changes in 2020 and over the next few years. These changes are being driven by key trends in society, above all demographic change, the strong continuation of urbanisation and challenges facing public finances.

Economic growth is likely to remain lacklustre. The Ministry of Finance forecasts that growth will slow over the next few years from around 2.5% to just under 1%.

Growing tax revenue and central government transfers are expected to ease local government finances during the current year and the increase in tax funding will balance the operational economy. However, old deficits must still be covered and difficult adjustment measures will need to be continued. An ageing population and migration call for municipalities to make major changes.

New negotiations on employment and collective agreements in the local government sector began in January 2020. Wage settlements will affect the development of the sum of wages and salaries in the local government sector and municipal finances.

Health and social services to continue mainly as public services

Structural reforms in health and social services are key to the whole of Finland and to Keva. The Government of Prime Minister Sanna Marin is preparing a reform and in line with the Gov-

ernment's policies, the counties will continue to provide health and social services mainly as public services. Private operators and the third sector will complement public services. Separate arrangements for the organisation and provision of health and social services in Uusimaa.

By the end of 2020, a parliamentary report involving all parliamentary parties will be made on the counties' taxation right and on the dismantling of multichannel funding. Legislative preparatory work began in autumn 2019.

Health and social services and rescue services employees will transfer to the counties' service as long-service employees under the business transfer principle. This means that at the time of transfer, the personnel would retain their existing rights, obligations and pension benefits. If Uusimaa makes separate arrangements, this means there would be no change in the employer of Helsinki and Uusimaa Hospital District (HUS) and the City of Helsinki employees when the Act on Organising Health and Social Services enters into force.

Retirement a threat to local government service provision

It seems retirement in the local government sector is set to somewhat further gather momentum in the next few years. Retirement will serve to weaken the ability of local government to provide services, especially in areas suffering a population drain.

The large number of persons retiring on a disability pension in the care sectors and other professions already suffering a shortage of workers is of particular cause for concern. It is estimated that 29,000 employees in the healthcare sector will retire and that 14,000 professionals will be on disability pension during the next ten years.

Mental health is stated more than earlier as the reason in disability pension applications. Timely intervention in the problems at the workplace and easier access to help, also without diagnosis, are needed.

Many things to be solved in merging pension systems

A working group set up by the Ministry of Social Affairs and Health and the Ministry of Finance on 16 August 2019 was tasked with preparing for the merger of the local government and private sector pension systems. The working group's mandate continues until the end of 2021 and the group has many things to consider. Once the outstanding issues have been resolved and the financial implications of the reform have been examined, it will be possible to assess the expedience of merging the systems and dividing Keva. Keva was actively involved in the work of the working group since preparation would be almost impossible without Keva's expertise in local government pensions and their funding.

The working group has assessed the possible timeline for the merger of the pension systems, but the report says that this will be specified later in

further preparation. The working group envisages that Keva could begin TyEL insurance in 2027. It is important to be able to specify the timeline in time so that a sufficiently early start can be made on preparations in practice.

Merging the pension systems does not seek changes in the level of TyEL contributions in the private sector. Because transferring the female-dominant, long-lived and ageing insurance portfolio in the local government sector would put upward pressure on the TyEL contribution, the working group has agreed to neutralise the upward pressure. It is extremely important that the neutralisation fee and the factors are related to its timing are clear by the consultation period at the latest.

In addition, solutions must be sought to ensure the costs of the merger remain reasonable and that they are shared equally between the pension systems. The formation of a

new TyEL pension provider, the building of new IT systems and allocation changes in Keva's investments, as well as any neutralisation arrangements will result in costs.

Interest in infrastructure investments

Keva is prepared to work together with partners to ensure the completion of investments and infrastructure projects of importance to Finland. As the largest investor in Finland, Keva is ready to promptly invest directly in infrastructure investment projects where these investments comply with the relevant criteria for pension investments such as generating long-term cash flow and inflation-protected interest income.

When infrastructure investments are successful, they will boost Finnish employment. It may be appropriate to appoint an administrator to consider

the preparation and "packaging" of projects and to utilise international fund elements to accelerate investments.

Keva reform continues

Keva will be systematically reformed in accordance with the strategy adopted in 2019.

Reform of the management system and organisation will take place in 2020 taking into account the possible merger of earnings-related pension systems. In the same context, preparations will be made to unbundle Keva's operations into an earnings-related pension insurance company and a pension provider managing public sector pensions other than the pension provision of local government employees. An organisation based on well-defined main processes will help to achieve the strategic goals: improved customer experience and efficiency and utilising knowledge-based management.

Appendix: Pension system-specific tables

Total pension application processing time (days) and service level 2019

Pension type	Local government	State	Church	Kela	Private providers
Old-age pensions	21	17	18	17	21
Partial early old-age pensions	6	6	11	7	8
Disability pensions	46	45	48	33	49
Survivors' pensions	12	12	10	27	20
Rehabilitation promises	16	19	14	18	20
Service level	91,2	94,1	91,3	95,6	..

Source for processing times: Finnish Centre for Pensions

Application rejection rates 2019

Application	Local government	State	Church	Kela	Private providers
New disability pension	26,0 %	19,6 %	31,6 %	24,3 %	33,6 %
Rehabilitation	21,6 %	25,4 %	29,9 %	42,3 %	30,0 %

Pension decision rectification procedure 2019

Self-rectified by Keva	Local government	State	Church	Kela
Number of appeals against Keva's decisions	1 265	223	38	16
Rectification rate of all appeals, %	13,6 %	12,6 %	26,3 %	12,5 %
Number of appeals concerning work ability assessment	1 035	127	26	12
Rectification rate of appeals concerning work ability assessment, %	12,8 %	11,0 %	15,4 %	16,7 %
Number of appeals against decisions of the Pension Appeal Board	191	48	4	1
Rectification rate of all appeals, %	3,7 %	4,2 %	0,0 %	0,0 %
Number of appeals concerning work ability assessment	175	45	4	1
Rectification rate of appeals concerning work ability assessment, %	4,0 %	4,4 %	0,0 %	0,0 %

Number of decisions on local government pensions and other benefits by pension type 2019 and 2018

Type	2019	2018	Change, %
Old-age pensions	16 597	17 824	-6,9
Partial early old-age pensions	3 582	2 762	29,7
Full disability pensions	15 110	14 682	2,9
of which new decisions	5 455	5 401	1,0
Partial disability pensions	9 524	9 546	-0,2
of which new or preliminary decisions	3 637	3 815	-4,7
Years-of-service pensions	16	7	128,6
Survivors' pensions	2 893	2 844	1,7
Part-time pensions	77	165	-53,3
Other pension matters	285	313	-8,9
Rehabilitation decisions	7 100	7 154	-0,8
Total	55 184	55 297	-0,2

Number of decisions on State pensions and other benefits by pension type 2019 and 2018

Type	2019	2018	Change, %
Old-age pensions	5 214	5 707	-8,6
Partial early old-age pensions	774	661	17,1
Full disability pensions	1 690	1 794	-5,8
of which new decisions	572	635	-9,9
Partial disability pensions	1 157	1 069	8,2
of which new or preliminary decisions	470	435	8,0
Years-of-service pensions	2	2	..
Survivors' pensions	2 599	2 520	3,1
Part-time pensions	28	54	-48,1
Other pension matters	61	15	306,7
Rehabilitation decisions	572	624	-8,3
Total	12 097	12 446	-2,8

Number of decisions on Church pensions and other benefits by pension type 2019 and 2018

Type	2019	2018	Change, %
Old-age pensions	703	804	-12,6
Partial early old-age pensions	113	84	34,5
Full disability pensions	631	534	18,2
of which new decisions	249	215	15,8
Partial disability pensions	198	213	-7,0
of which new or preliminary decisions	82	82	0,0
Years-of-service pensions	0	0	..
Survivors' pensions	171	159	7,5
Part-time pensions	1	2	-50,0
Other pension matters	0	0	..
Rehabilitation decisions	167	188	-11,2
Total	1 984	1 984	0,0

Number of decisions on Kela salaried employee pensions and other benefits by pension type 2019 and 2018

Type	2019	2018	Change, %
Old-age pensions	160	141	13,5
Partial early old-age pensions	43	25	72,0
Full disability pensions	87	80	8,8
of which new decisions	25	16	56,3
Partial disability pensions	180	177	1,7
of which new or preliminary decisions	67	73	-8,2
Years-of-service pensions	0	0	..
Survivors' pensions	44	30	46,7
Part-time pensions	0	1	-100,0
Other pension matters	0	0	..
Rehabilitation decisions	61	72	-15,3
Total	575	526	9,3

Number of applications for local government pensions and other benefits by pension type 2019 and 2018

Type	2019	2018	Change, %
Old-age pensions	16 277	17 995	-9,5
Partial early old-age pensions	3 361	2 814	19,4
Full disability pensions	15 216	14 402	5,7
Partial disability pensions	9 567	9 424	1,5
Years-of-service pensions	19	7	171,4
Survivors' pensions	2 909	2 837	2,5
Part-time pensions	74	160	-53,8
Other pension matters	319	350	-8,9
Rehabilitation decisions	7 182	7 221	-0,5
Total	54 924	55 210	-0,5

Number of applications for State pensions and other benefits by pension type 2019 and 2018

Type	2019	2018	Change, %
Old-age pensions	5 172	5 709	-9,4
Partial early old-age pensions	721	681	5,9
Full disability pensions	1 693	1 748	-3,1
Partial disability pensions	1 157	1 056	9,6
Years-of-service pensions	2	2	0,0
Survivors' pensions	2 620	2 520	4,0
Part-time pensions	27	52	-48,1
Other pension matters	65	18	261,1
Rehabilitation decisions	588	615	-4,4
Total	12 045	12 401	-2,9

Number of applications for Church pensions and other benefits by pension type 2019 and 2018

Type	2019	2018	Change, %
Old-age pensions	691	812	-14,9
Partial early old-age pensions	99	86	15,1
Full disability pensions	627	531	18,1
Partial disability pensions	186	215	-13,5
Years-of-service pensions	0	0	..
Survivors' pensions	171	157	8,9
Part-time pensions	1	2	-50,0
Other pension matters	0	0	..
Rehabilitation decisions	177	191	-7,3
Total	1 952	1 994	-2,1

Number of applications for Kela salaried employee pensions and other benefits by pension type 2019 and 2018

Type	2019	2018	Change, %
Old-age pensions	162	138	17,4
Partial early old-age pensions	38	30	26,7
Full disability pensions	84	71	18,3
Partial disability pensions	183	168	8,9
Years-of-service pensions	0	0	..
Survivors' pensions	44	31	41,9
Part-time pensions	0	1	-100,0
Other pension matters	0	0	..
Rehabilitation decisions	60	73	-17,8
Total	571	512	11,5

Number of persons taking retirement by pension type 2019

Pension type	Local government	State	Church	Kela
Old-age pensions	8 759	3 280	421	103
Full disability pensions	811	126	31	7
Full rehabilitation allowance	1 644	173	50	14
Partial disability pension	2 479	319	54	43
Total	13 693	3 898	556	167

Average age of persons taking retirement by pension type 2019

Pension type	Local government	State	Church	Kela
Old-age pensions	64,3	63,0	64,5	64,8
Full disability pension (incl. years-of-service pension)	59,4	58,3	57,1	58,2
Full rehabilitation allowance	48,5	52,8	50,2	41,2
Partial disability pension	56,1	56,5	55,7	52,2
Total	60,6	61,9	62,0	59,3

Governing bodies 2019

Members of Keva's Council

Ordinary members

Chair

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Organisation 31 December 2019

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Head of Internal Audit Ms Päivi Alanko

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Compliance Officer Mr Markus Mankin

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HR Director Mr Mika Gylén

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Cooperation Unit
Communication Director Ms Reija
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Pensions Director Ms Eija Korhonen

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Pensions Director Ms Merja Paananen

Insurance Medicine and Rehabilitation
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Director of Medical Affairs Mr Janne
Leinonen from 1 July 2019
Director of Medical Affairs Ms Kirsi
Karvala from 1 December 2019

Working Life Services Unit
Working Life Services Director
Ms Kati Korhonen-Yrjänheikki

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CIO Real Estate Mr Petri Suutarinen

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Investment Strategy
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Pensions Director
Ms Anneli Kajas-Pätäri

Financial Unit
Financial Manager
Mr Olli Pasanen

Securities Administration Unit
Head of Securities Administration
Ms Johanna Haukkovaara

Investment Reporting and
Risk Management
(Middle Office Unit until 28 February
2019)
Head
Ms Maija Sarlomo

Financing Unit
Director of Finance
Mr Allan Paldanius

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