

PUBLIC SECTOR pensions



ANNUAL REPORT
2020

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The English translation of Keva's annual report complies with the Finnish convention with regard to writing figures. This means that in percentages commas rather than decimal points are used and that the separator between whole euros and eurocents is a decimal point.

CEO'S REVIEW

The first year of corona shook the whole world and is certain to be remembered.

At Keva, the switch to working from home was successful. This was partly due to the open, flexible working culture we have built in earlier years.

We continued work on reforming our operations in line with our strategy as we pursue our goal of the best customer experience, the best efficiency and the best return on investment in the industry.

Under remote working conditions, Keva's organisation and management system were successfully reformed and rolled out in early June. Keva's system of elected officials was reformed in August: the Council was replaced by the meeting of Councillors, the Board of Directors was strengthened and our administration now has representatives from all principal contracting organisations on the local government employee side and, for the first time, representatives of Local Government Employers KT.

Much to be resolved in merging the pension systems

The working group preparing the merger of the earnings-related pension systems continued its work. This year, probably as early as this spring, the decision will largely be made in practice whether to go ahead with the merger of the pension systems in the working group's preparations. Preparations have resolved many issues but much is still to be resolved.

Merging the systems is possible, but the decisive factor is whether there is sufficient desire and will, and whether implementation of the reform is sufficiently appropriate. It is almost impossible at this stage to predict whether there is sufficient will to enable a workable merger proposal to be finalised in the working group and be submitted to Parliament.

Keva people have been involved as experts in the work of the working group and other groups.

Good year for investments

Our investment result was good following a volatile year, with an investment return of 4,7 %. At year-end, Keva's investment assets were valued at EUR 58 billion, up



CEO Timo Kietäväinen

EUR 2,7 billion year on year.

The investment market saw sharp fluctuations during the year, especially on the stock markets. However, Keva's mission and the investment strategy derived from it make Keva a truly long-term investor. Over the past ten years for example, Keva has been at the forefront of investment returns among large Finnish pension investors. Pension liabilities are for decades, which is why the horizon must also be long.

For a few years now, local government pension contributions have been insufficient to cover the payment of retirees' pensions. Returns on investments, and during bad years also capital, are increasingly being used to pay pensions. This has been well prepared for by funding pension contributions and even more returns on investments since 1988. Also the reform of Keva's investment strategy has taken this into account and sought to increase the amount of cash flows that are as predictable as possible.

Responsibility is an integrated part of Keva's investment strategy. We implement responsibility together with our international partners and by participating in many cooperation projects.

The UN's PRI (principles for responsible investment) organisation has once again awarded Keva the top A+

rating for responsible investment in the Strategy and Governance category.

With regard to direct real estate holdings, Keva aims to be carbon neutral in energy use by 2030. We are progressing to schedule towards that goal.

A partner in customer change

Keva helped its customers in many ways during the year of corona.

As a responsible actor, we put in place various arrangements to help tenants in properties we own. Acting on its own initiative, Keva also deferred the payment of membership fees of local government companies and organisations for four months without interest. Most of our member organisations above took advantage of this possibility.

We overhauled our employee and employer customer services and it has been pleasing to note how well customers have taken to using e-services: Our learning environment, several of our development networks and multi-vocational teams showed their strength last year.

Feedback from our customers has been at a very good level. Customer surveys show that employer customers see us as a genuine partner.

We retained our good level of service in pension decisions and successfully further speeded up the process. Working together with different instances, we managed to minimise the impacts of having prematurely paid January's local government pensions in December because of human error.

Total return on Keva's investments in 2020 was

4,7 %

Responsibility at the fore

At the end of the year, we received the results of the latest stakeholder reputation survey. It was gratifying to see that measured by all indicators, Keva has made progress and achieved an excellent level in the overall results. This time showed responsibility to have improved most.

In the post-corona era, Keva will transition to become increasingly digital. Our own understanding of our customers' needs and opportunities for digital services has also grown immensely. We have learnt together.

I myself have been particularly pleased that the weekly Kevafilis survey for employees has shown Keva employees' vibe to have been at a very good level throughout corona. Keva's sense of organisation has also strengthened to reach a good level in recent years.

Change of CEO ahead

For my own part, I have decided that now is the right time to retire. During the spring, the search will be on to fill the really interesting position in of CEO at Keva, Finland's largest earnings-related pension provider and a friendly developing organisation.

When I appeared at my first Keva personnel info briefing following my appointment, I thought I would serve as Keva's CEO for about five years. I estimated that the key objectives could be carried out during that time. This estimated timetable has turned out to be more or less correct.

Keva will continue to reform and strengthen competitiveness regardless of whether merging the pension systems goes ahead or not. Any merger would naturally decisively affect the direction and content of reform. In any case, Keva's strategy, organisation and management system will need to be reviewed during the spring in order to seek direction for years ahead. My successor will lead the preparation and implementation of these policies for future years.

Timo Kietäväinen
CEO

Report of the Board of Directors 2020



OPERATING ENVIRONMENT

The year 2020 will go down in history as the year of the corona pandemic.

The pandemic, which started in Wuhan, China at the turn of the year, also reached Finland in March. The whole world, Finland included, experienced unprecedented societal lockdown measures as steps were taken to contain the spread of the virus. Spring saw the introduction in Finland of an emergency powers act, which restricted the free movement of citizens. In addition to this, Finland's external borders were closed, numerous Finns returned to Finland from abroad, schools switched to distance learning and many employees began to work from home. Hundreds of thousands of people in Finland experienced layoffs when shops, restaurants and services fell silent as a result of restrictions on movement. The summer saw the corona ease slightly, only to raise its head again in the autumn and again restrictive measures began to be put in place in different areas.

Keva was among the first to switch to working from home and to introduce remote customer service and events. In the spring, Keva also took tenants of its own business premises into account by negotiating flexible rent payment.

For Keva member organisations, the past year was one of effort. Corona put huge workload pressure on caregivers, teachers, social workers, whereas the closure of public premises brought its own challenges elsewhere. The Government has guaranteed the funding of corona measures put in place by municipalities and joint municipal authorities and, despite various new costs, the financial position of municipalities has even improved during the past year because of among other things around EUR 3 billion in Government corona support measures.

For Keva member organisations, the most important legislative change relating to the operating environment was the Government proposal for health and social services reform and related legislation that was submitted to Parliament in December. This includes a transfer of responsibility for the organisation of health and social services from municipalities to new

wellbeing services counties to be established. Special arrangements would be made for health and social services reform in the Uusimaa region and Helsinki. The reform will have a major impact on the funding of municipalities since it would result in a large share of municipality funding being transferred from the municipalities to wellbeing services counties.

Work on preparations for a merger of the local government and private sector pension systems progressed in accordance with the procedural timetable. Keva has been actively involved in the work. In autumn 2021, the preparations should be at the stage where the draft law can be sent for a round of consultations. The plan is for Parliament to make the final decisions on the merger in 2022, when there will also be an assessment on the expedience of merging the systems.

In the spring, Parliament adopted an amendment to the Act on Keva (66/2016) under which Keva's administration changed. The legislative changes resulted in labour market organisations gaining a stronger representation in Keva's administration and the introduction of statutory risk management and nomination committees. A new Board of Directors was appointed to Keva in the autumn.

Reform of Keva's management system

In spring 2020, Keva's Board of Directors adopted a new management system. Reform of the management system was part of the implementation of the strategy drawn up in 2019. With the new management system, Keva's operating processes were carefully reviewed and the organisation has been examined to enable the best service results in customer processes.

Corona crash and stock market recovery

The year 2020 was affected by the global corona crash. Towards the end of the year, stock markets again recovered. The global economy has begun to rise out of deep recession and China's economy has already almost returned to the pre-pandemic level.

The change of president in the United States can bring about a change in the world trade policy.

Unprecedented monetary stimulation relating to the pandemic is under way in the United States. Strong recovery was seen in the global economy in the summer and recovery is expected to continue as corona vaccines become more widespread across the world.

GDP in the eurozone is forecast to contract by 7,3 % in 2020. Very strict corona restrictions still in place in all countries in Europe are limiting economic recovery. Substantial fiscal support has mitigated the effect of the coronavirus pandemic on the real economy across the eurozone.

GDP in Finland is forecast to contract by 3,8 % (Bank of Finland) in 2020. Consumption of services contracted sharply during the first wave of the pandemic and during the second wave in the autumn. Also construction investments took a downward turn in 2020. On the other hand, sales of consumer goods have been growing and the grocery trade performed very well.

According to the Bank of Finland, the imbalance between general government revenue and expenditure grew sharply in 2020 and the imbalance between revenue and expenditure in relation to GDP was around 7 %. The general government debt to GDP grew to 69 %. In 2020, central government debt rose EUR 18,4 billion and at year-end stood at EUR 124,8 billion.

Rise in unemployment and birth rates

In December 2020, there were 2 496 000 employed, or 74 000 fewer than a year earlier. The employment rate in December 70,7 % compared to 73 % a year earlier. A labour force survey by Statistics Finland shows there were 212 000 unemployed, which was 48 000 more than a year earlier.

The imbalance between general government revenue and expenditure will grow sharply in 2021. However, the deficit is expected to grow less than earlier forecast even though the corona situation again accelerated during the autumn. Finland's economic and employment development seems to have survived 2020 with much less damage than is the case in many other countries. Inflation in 2020 averaged 0,3 %.

The population projection published last year was concerning and gave rise to much discussion about Finland's birth rate. It seems the long downturn has now reversed and according to Statistics Finland there were 46 452 births in 2020 or 839 more than in 2019. There

were 54 943 deaths or 994 more than a year earlier. Finland's population is now 5 536 146.

Investments by the earnings-related pension system saw a major crash in the first and second quarters as a result of corona. However, recovery from the crash began towards the end of the year and already at the turn of 2020 the all-time highs of 2019 had been reached/exceeded.

Funds totalled EUR 210 billion at the end of September.

Despite the growth in investment assets and the increase in pension contribution income due to the good business cycle, the financial position of earnings-related pension providers did not improve. The brisk growth in earnings-related pension expenditure will continue as the number of retirees and the average level of pensions increase.

Surplus of EUR 1,7 billion in local government finances in 2020

The past year was a very exceptional one in the finances of municipalities and joint municipality authorities. During the year, the corona pandemic led to both operational challenges in local government finances as well as major changes in economic forecasts. Despite the exceptional year, municipalities and joint municipality authorities recorded a EUR 1,7 billion surplus for 2020. Municipalities received around EUR 3 billion in Government corona support measures.

In 2020, just 27 municipalities recorded a negative result, whereas 223 municipalities recorded a deficit for the previous year. Annual contribution margins strengthened in all municipality size groups.

Municipality and joint municipality authority operating costs rose 2 %, tax revenue 4 % and central government transfers 27,2 % in 2020. Government corona support measures and better than forecast tax revenue, as well as the fact that municipal operations were closed and staff laid off in many places, affected the results of municipalities.

The increase in municipalities' tax revenues is partly explained by the tax card reform, which deferred around EUR 350 million in municipal tax from 2019 to 2020 and an increase of 10 percentage points in the share of corporate tax revenue.



CUSTOMER RELATIONSHIPS

At year-end 2020, Keva had 1 950 employer customers, of which 1 088 were local government organisations, 587 State employers and 274 parishes or parish unions. In addition, the Social Insurance Institution of Finland Kela, is an employer customer.

Employer customers 31.12.2020	Amount no.
Local government employer customers	1 088
Municipalities and cities	310
Joint municipal authorities	136
Limited liability companies	617
Associations and foundations	21
Other municipal organisations	4
State employer customers *	587
Church organisations	274
Social Security Institution of Finland (Kela)	1
Total	1 950

* Employers who are also in other earnings-related pension systems (mainly in the local government sector) have been deducted from the number of State organisations, i.e. the same employer appears only once in total employer customer numbers.

Since the organisational reform completed on 1 June 2020, multi-vocational teams were formed to enhance our service to employer customers. The change seeks to improve the customer experience and to deliver more efficient operations.

In the same context, a digitalisation and service development team was set up to enable strong digitalisation of the employer and work ability decisions process and effective service development.

The disability pension and vocational rehabilitation application processes were merged and integrated into the employer and work ability decisions process. The change has strengthened more comprehensive work ability support for employee customers and at the same time management of the disability risk of employer customers, which is one of Keva's statutory duties.

Work ability decisions can provide useful information about employers' work ability processes. This information can be drawn on in the development of work ability risk management and work ability management services for employer customers. Information about

how employer application or relocation processes work in practice can be utilised at the phenomenon level and in a way that safeguards the data protection of employees.

The employer customer survey carried out in autumn 2020 showed that around 80 % of our employer customers considered that Keva had provided them with good or excellent service. Satisfaction has risen compared to the previous year's survey. The concrete benefits of our services, the ease of communication and our clear strategy in partnering with our customers were particularly commended. The feedback collected in conjunction with various communication situations was also positive, with an average of 88 % of customers stating that they were satisfied with the communication or service.

Corona changed customer relationship management

The exceptional conditions caused by corona seriously impacted Keva's employer customers. Customer work highlighted support actions in work ability management as well as advice and guidance related to pension issues. Multichannel communication was increased, case management was strengthened and service content developed driven by customer needs.

There were almost 60 % more customer meetings relating to customer relationship management in 2020 compared to a year earlier. Most customer meeting took place online.

The importance of the employers' online service is showing strong growth as a service channel and there were an average of around 3 000 logins a month to the service. A customer-specific view was enabled during the year under review. In addition, service identification and access rights were overhauled: The Katso service was discontinued and Suomi.fi e-authorisations replaced Katso roles in the same way as in all public administration digital services.

Digital services expanded

Coverage of the Key Data online service, which compiles work disability costs, improved significantly during the

year under review when a start was made on providing the service to all public sector employers. State and Evangelical Lutheran Church employers are new customer groups in the service.

By the end of 2020, 610 (392) organisations, 31 % of Keva's customers, had started to use the service, with 84 State employers (14 % of State customers) and 40 Evangelical Lutheran Church employers (15 % of Church customers) using the service.

Local government customers using the Key Data service by year-end 2020:

- 43 % of member organisations
- 90 % of the sum of wages and salaries
- 89 % of the insured

During the year, 47 organisations, employing a total of around 53 000 employer customers, conducted the wellbeing at work survey, which is part of the Key Data service. Alongside the workplace wellbeing survey, a start was made towards the end of the year on offering an active support assessment survey focusing on work ability management.

The digital learning environment for work ability management expanded strongly in 2020. The service enables competence development irrespective of time and place, supports the use of digital working life services and serves as a learning platform for development networks. During 2020, 10 new learning modules were published, the service concept was development and, among other things, we were able to respond quickly to the need for support caused by the coronavirus. By the end of the year, 256 (34) organisations had deployed the service and 3 730 usage rights had been ordered, which was 50 % above the annual target.

The work ability paths game was brought into use during 2020. 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.

Online services strengthened

In line with its strategy, Keva strongly expanded its online service where customers jointly develop activities to strengthen work ability through peer learning and experts. The national work ability management network was rolled out and by the end of the year already 300 customer organisations, 15 % of employer customers, had joined. In addition, we facilitated regional HR networks in 14 counties. Almost all network events took place online.

Keva consulted around 70 employer customers on an organisation-specific basis in work ability management and occupational healthcare collaboration matters. The total of 360-degree analyses done for customer organisations was 15.

Earlier in the year, employer customers and Keva carried out pilots on career services that can have a proactive impact on the work ability of the insured among other things through career planning. The pilots provided valuable lessons to scale the service. 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. The start of new programmes was pushed back because of corona.

Development funding and research activities

Workplace wellbeing promotion grants are competitive funding which enables innovative and effective workplace development activities to reduce disability risk in local government and the Evangelical Lutheran Church. We received a total of 57 applications for wellbeing promotion grants in 2020. At the proposal of the panel evaluating wellbeing promotion grant applications, a total of EUR 500 000 was shared between 17 Keva employer customers.

Research findings on public sector workplace wellbeing as well as the costs of disability and organisations' workplace wellbeing surveys were published in the Kevatutkii online tool.

Keva published a study on the success of vocational rehabilitation. The study examined how

vocational rehabilitation in the public sector is used, how successful vocational rehabilitation is and how customers experience it. The results will be widely drawn on in among other things the development of vocational rehabilitation and occupational healthcare collaboration. In addition, working together with public sector HR actors, Keva studied the needs and means to develop personnel competence in public sector organisations. Keva also studied the use of rehabilitation allowances in the light of statistics. The statistics study shed information about how rehabilitation allowance decision-making can be developed and what aspects occupational healthcare and employers should address when an employee receives rehabilitation allowance.

Keva intensified research collaboration in particular with the Finnish Institute of Occupational Health. In 2020, four studies started up where Keva is a member of the steering group. In addition, Keva provided co-funding to the international SHARE – Survey of Health, Ageing and Retirement in Europe project and is a member of the steering group.

The theme of the Keva day was capacity for renewal. A total of 670 persons, 10 % more than in the previous year, took part in the event online.

Service for employee customers moving increasingly online

Keva manages the earnings-related pension services of around 1.3 million public sector employees and pension recipients. Approximately 682 000 of these are insured persons and 602 000 pension recipients.

During 2020, the service for employee customers was reorganised and developed with a strong focus on information management and increasing pro-active service.

Driven by customer wishes, applications for old-age pensions can be made earlier than before. Customers

were sent more messages and documents through the online service than earlier.

The pandemic meant that Keva's pension advisory service point remained closed for most of the year. Customer service switched largely to other service channels.

During 2020, Keva's advisory numbers for employee customers took 132 007 calls and 79 % of the calls concerned general pension advice. The number of calls was down by around 20 % year on year.

Online communication has continued to grow in popularity. In 2020, Keva's website had almost 2,3 million visits and the number of website users continue to grow.

The most popular website was the My Pension service for employee customers, where the number of logins continued to grow. Logins to the service exceeded 1 million for the first time and were up 19 % compared to 2019. Rapid growth has driven an improvement in the level of self-service. Around 25 000 pre-enquiries were answered via the online service. Work continued on upgrading the My Pension online service.

The advisory robot Ilona answers customer questions on the website. There were almost 38 000 chats with Ilona and it was possible to give the customer an answer in around 79 % of cases. The response level in the My Pension online service is almost 83 %.

Keva collects customer feedback extensively in different service channels. During 2020, around 25 000 feedback comments were received from employee customers.

Employee customers found it easy to communicate with Keva. The My Pension online service was commended particularly for its user-friendliness and the telephone advice for its knowledgeable and friendly operation.



CONTRIBUTION INCOME

At the end of 2020, some 539 000 employees were insured under Keva member organisations' pension system. This was around 1 % fewer than a year earlier. The sum of wages and salaries of member organisations was EUR 18 487 million, which was EUR 361 million or 2 % more than in 2019. The sum of wages and salaries in the public sector rose despite the pandemic, whereas it contracted somewhat in the private sector.

Contribution income paid by Keva member organisations in 2020 totalled EUR 5 252 million (2019: EUR 5 127m), which was 28,39 % (2019: 28,29 %) of the sum of wages and salaries. Year on year contribution income was up EUR 124 million or 2,4 %. Contribution income consists of two components: the employer and employee earnings-based contribution and the employer contribution based on pension expenditure.

Following the onset of the pandemic in spring 2020, Keva estimated that of customer organisations, it would be limited liability companies, cooperatives, associations and foundations that would potentially face the greatest challenges in the payment of pension contributions. This is why Keva voluntarily postponed by four months the dates of these customers' contributions due in April to June. These contributions corresponded to just over 10 % of Keva's monthly earnings-based contribution. Around one third of these customers took advantage of the payment holiday. Postponing the due dates did not jeopardise Keva's own liquidity.

Keva collected earnings-based contributions of EUR 4 511 million, up EUR 89 million or 2 % year on year. Employees contributed around EUR 1 399 million and employers around EUR 3 111 million. The employee contribution rose by 7,6 % and the employer contribution fell by 0,3 %.

The earnings-based contribution averaged 24,40 % (2019: 24,40 %) of pay in 2020. Employers paid 16,83 bp of the contribution and employees an average of 7,57 bp. The employee earnings-based contribution varied, with employees under the age of 53 and over the age of 62 paying 7,15 % and employees aged 53–62 paying 8,65 %. The contribution rose by 0,4 bp in both

employee age groups compared to 2019. The employer contribution fell correspondingly.

In accordance with the decision of Keva's Council, Keva charged EUR 737 million pension expenditure-based contributions to its member organisations, which equated to 3,99 % (2019: 3,89 %) of the sum of wages and salaries. This was an increase of EUR 31 million or 4,4 % year on year.

Financial support is a benefit equivalent to group life insurance paid to the beneficiaries of a deceased local government officeholder or employee. At year-end 2020, 738 member organisations had arranged for financial support through Keva. Keva collected roughly EUR 5,2 million in financial support contributions for 2020, EUR 0,5 million more than a year earlier.

Keva received around EUR 202 million in contribution income from the Unemployment Insurance Fund. This was around EUR 74 million more than in 2019. Contribution income rose following increased layoffs and redundancies in 2020.

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 Central Church Fund of Finland's bank accounts, but Keva is responsible for all the practical measures relating to contributions. In 2020, 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.

The national Incomes Register was rolled out at the beginning of 2019 and this impacted on 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 2019, there were significant challenges in reporting earnings, but in 2020 operations stabilised and were much better.



PENSIONS AND BENEFITS

Despite the exceptional arrangements during the pandemic, Keva was able to significantly improve the processing of pension applications in 2020. We greatly shortened processing times and reached our targets for processing times in all types of pension. The level of service measuring uninterrupted income improved and was way above target. Customer satisfaction among the insured again remained at an excellent level.

The share of online applications showed considerable growth, especially in old-age pensions but also in disability pensions. Since autumn 2020, it has been possible to apply for old-age pensions six months ahead of the start of retirement instead of three months as was the case earlier. Not only pension applicants but also employers have been pleased with this change.

There was a slight fall in applications for vocational rehabilitation and partial disability pensions. Full disability pensions have not grown in the manner forecast. The exceptional pandemic year might have affected the clear decline in benefits, particularly in those essentially involving work arrangements at the workplace. The impact of the pandemic on the inclination to apply for pensions requires further study.

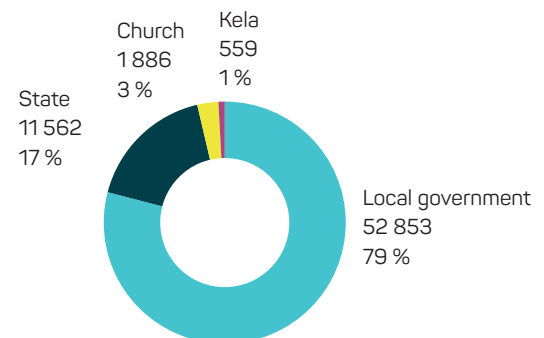
Keva improved rehabilitation guidance with the help of videos and new web pages intended for occupational

health. In addition, the way of carrying out Keva's rehabilitation assessment was updated at the end of 2020.

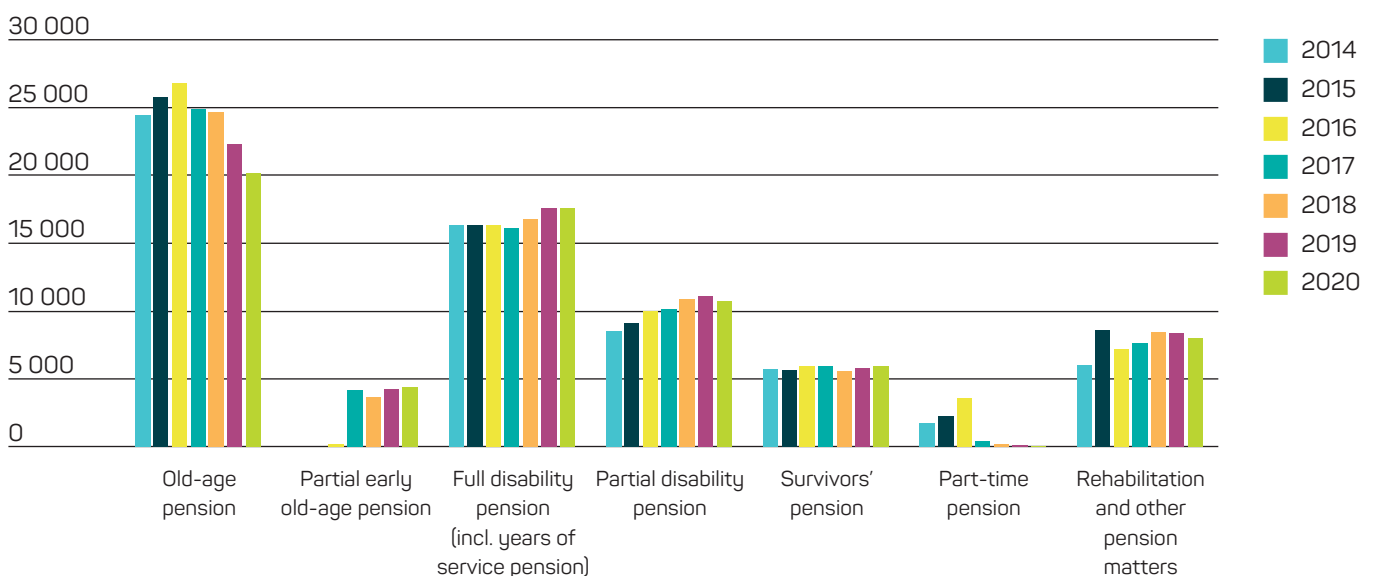
Applications received and decisions issued

In 2020, Keva issued a total of 66 860 decisions of which 59 050 concerned actual pension matters, 7 474 rehabilitation decisions and the remaining 336 concerned benefits such as financial support, etc. Keva received 66 808 applications, 58 813 of which concerned actual pension matters.

Number of decisions issued by Keva by pension system



Number of applications received by Keva by pension type



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

By far the highest number of decisions concerned local government pensions: 52 853 decisions, or 79 % of all decisions issued by Keva. Keva issued 11 562 concerning State pensions, 1 886 concerning Church pensions and 559 decisions concerning pensions for Kela's salaried employees.

Faster pensions processing

Processing times of all pension types were shorter than a year earlier but the average processing time for rehabilitation applications was 17 days, a day longer than in 2019. The service level indicator shows that 93,5 % (2019: 91,7 %) of decisions were issued on time.

Keva processed old-age pensions in an average of 12 days and disability pensions in an average of 38 days. Processing times of partial early old-age pension applications were fastest, with decisions being issued in an average of two days. The processing of survivors' pensions averaged eight days.

Keva processed applications for all pension types 4–8 days faster than a year earlier.

Compared with 2019, 4,3 % or 2 976 fewer decisions were issued. There was variation between pension types. For example, 10,5 % fewer old-age pensions were processed than a year earlier, whereas there was a 3 % rise in survivors' pension decisions. There was a slight fall in the total number of disability pension decisions:

0,5 % more full disability pensions and 2,4 % fewer partial disability pensions were processed than in 2019.

The fall in the number of old-age pension decisions is because of the 2017 pension reform. The rise in the pension age meant that applications for old-age pensions were made later than earlier since the lower age threshold for old-age retirement rises three months each year. The number of old-age pension applications was 20 189, down 9,5 %. There were 20 294 old-age pension decisions issued.

There were 4 409 partial early old-age pension decisions issued, 69,5 % of which concerned a pension of 50 %. The remainder of the decisions were for a pension of 25 % or a switch from a 25 % pension to a 50 % partial early old-age pension.

The last new part-time pensions began in January 2017. Despite this, Keva issued 38 decisions in 2020 to suspend or cancel part-time pensions.

Disability pensions and vocational rehabilitation

Keva issued a total of 28 432 disability pension decisions. There was a total of 28 342 disability pension applications, down 1,5 %. The decrease was mainly in applications for partial disability pensions, which were 3,5 % fewer than in 2019. The number of full disability pension applications remained more or less unchanged (down 0,1 %) compared to a year earlier.

Examined by application types, the decrease in disability pension applications centred on new applications: full disability pension applications were down 8,1 % and partial disability pension applications were down 2,3 %.

Total processing time in days for applications

Pension type	2020	2019	Change days	Private providers 2020
Old-age pension	12	20	-8	11
Partial early old-age pension	2	7	-5	3
Disability pension	38	46	-8	33
Survivors' pension	8	12	-4	16
Rehabilitation	17	16	1	18

Source: Finnish Centre for Pensions

In contrast, there was an increase in renewed application: 4,4 % for full disability pensions and 2,0 % for partial disability pensions.

The number of rehabilitation decisions fell 5,4 % to 7 474 and the number of rehabilitation applications fell 4,8 % to 7 625.

Of the positive decisions on the right to vocational rehabilitation, 42,7 % were issued in conjunction with the processing of a disability pension matter and 57,3 % were based in customer applications.

In 2020, 66 % of decisions on rehabilitation interventions involved workplace work try-outs, investigational work-try-outs or job coaching, 18 % of intervention decisions concerned training and 16 % assessment by the rehabilitation service provider.

Of the rehabilitation interventions completed, 74,5 % were successful, with the persons rehabilitated able to be available on the labour market after completing the programme.

Last year, 36 years of service pension decisions were issued, double the number compared to a year earlier. 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 336 decisions concerning other pension matters, a decrease of 2,9 %. The number of survivors' pension decisions was up 3,0 % to 5 877 decisions.

Keva received a total of 66 808 pension applications, 3,9 % fewer than a year earlier. Keva issued about the same number of decisions. On the basis of new pension applications, 38 697 pension decisions, of which 34 258 were favourable.

Keva rejected 28,8 % (2019: 25,5 %) of new applications for disability pension. The average rejection rate by private pension providers for new applications for disability pensions was 36,4 %. The rejection rate for rehabilitation decisions was 25,4 % (2019: 22,3 %) and the corresponding rate for private pension providers was 35,4 %.

Keva provided the possibility for around 500 persons whose pension application had been rejected to take part in a review with an external expert. During the review,

Number of all decisions by pension type

Type	2020	2019	Change %
Old-age pension	20 294	22 673	-10,5
Partial early old-age pension	4 409	4 510	-2,2
Full disability pension	17 597	17 517	0,5
<i>of which new decisions</i>	6 164	6 299	-2,1
Partial disability pension	10 799	11 059	-2,4
<i>of which new or preliminary decisions</i>	4 246	4 256	-0,2
Years of service pension	36	18	100,0
Survivors' pension	5 877	5 707	3,0
Part-time pension	38	106	-64,2
Other pension matters	336	346	-2,9
Rehabilitation decisions	7 474	7 900	-5,4
Total	66 860	69 836	-4,3

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. In addition, the aim is to initiate the vocational rehabilitation process and to draw up an initial rehabilitation plan. Initiation of vocational rehabilitation was drawn up as a follow-up plan for about 40 % of participants and a preliminary plan for return to work was drawn up for about 12 %.

Online application gaining traction

Online applications in 2020 rose to account for 51,8 % (2019: 46,6 %) of applications received. Last year, 78,5 % (2019: 72,4 %) of old-age applications and 30,9 % (2019: 26,3 %) of all disability pension applications were received online.

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 2020, Keva processed a total of 1 475 appeals filed with the Pension Appeal Board against Keva's own decision in the "self-rectification" procedure. Of these, 1 190 involved work ability assessment. Keva rectified a total of 11,7 % (2019: 13,7 %) of all appeals and 11,6 % (2019: 12,7 %) of appeals against work ability assessment. The remaining appeals were submitted to the Board for consideration.

In 2020, Keva also processed 163 appeals filed with the Insurance Court against decisions issued by the Pension Appeal Board. Of these appeals, 147 concerned work ability assessment and Keva rectified 3,4 % (2019: 3,7 %) of these.

The Pension Appeal Board revised 10,2 % (2019: 10,9 %) of all the disability pension rejections issued by Keva. The Insurance Court revised 18,0 % (2019: 12,8 %) of Keva's decisions that had been appealed.

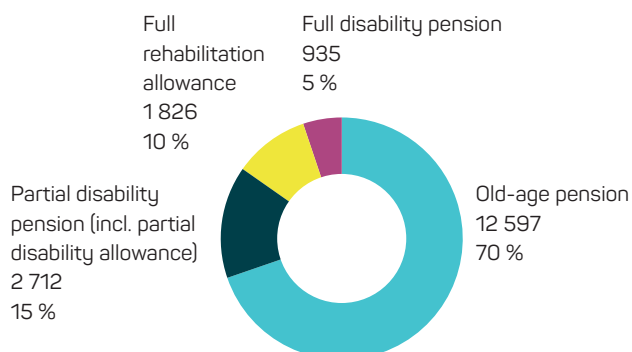
Persons retiring

A total of 18 070 employees retired from the service of local government, the State, the Church and Kela. The average age of persons retiring was 61,3 years, which is 0,4 years higher than a year earlier. An examination by pension type shows that the mean age of persons retiring rose in all pension types.

The percentage of persons retiring on an old-age pension increased by 1,1 bp to 69,7 % of all persons retiring. The average age of persons retiring on an old-age pension in 2020 was 64,2 years, which was 0,2 year older than in 2019.

Persons retiring on a full disability pension did so at an average age 59,6 years (0,4 years older), those on full cash rehabilitation benefit 49,5 years (0,6 years older) and those on partial disability pension (including cash rehabilitation benefits) did so at an age of 56,7 years (0,6 years older). Also persons starting to receive the new partial disability pension are counted as having retired even though they continue to work alongside drawing a pension.

Number of persons taking retirement by pension type



Share of persons taking retirement by pension type 2020

A total of 5 472 employees retired on a disability pension, 4,9 % fewer than a year earlier. Musculo-skeletal disorders were the most common reason for disability and accounted for 34,9 % (2019: 35,3 %) of primary disorders in people retiring on a disability pension. Mental health disorders were the reason in 31,1 % (2019: 31,5 %) of cases of people retiring on a disability pension. There was a decrease in the diagnosis of onset both of musculoskeletal disorders and mental health disorders. 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 62,0 years (2019: 61,4 years) in local government service and 62,6 years (2019: 63 years) in State service (excluding military personnel).

Appendix: Pension system specific tables

Pensions paid

Total pension expenditure (including financial support and rehabilitation) by Keva member organisations in 2020 was EUR 5 728 million, an increase of EUR 240 million or 4,4 % compared to 2019. At year-end, there

were around 419 000 pension recipients, 1,4 % more than a year earlier.

In 2020, Keva paid out EUR 4 857 million in State pensions, an increase of around EUR 95 million or 2 % compared to a year earlier. At year-end, there were around 242 000 State pension recipients, a decrease of about 2 % compared to a year earlier. Keva paid out around EUR 217 million in Evangelical Lutheran Church pensions, an increase of about 2 % compared to 2019. The corresponding pension expenditure on pensions for Kela's salaried employees was around EUR 106 million,

an increase of around 1 % 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. For 2020, Keva will return around EUR 28 million to the State, EUR 1,8 million to the Evangelical Lutheran Church and EUR 1,3 million to Kela. These items were recognised in the financial statements as adjustments to advance payments.



INVESTMENT OPERATIONS

As we entered 2020, the very good previous year in the capital markets, with good investor returns on practically all asset classes, was behind us. Also 2020, started off on a positive note until the corona pandemic became apparent. March saw what was probably the fastest crash of all times in all high-risk parts of the capital markets. The markets once again experienced the loss of market liquidity already seen in the financial crisis.

At the start of the year under review, interest rates were still historically very low. The stock markets had also had a good run for many years since the financial crisis, even though the fourth quarter of 2018 bucked this trend. The capital markets were concerned about global economic growth and the sustainability of that growth. There was also uncertainty surrounding political and, in some cases, even military stability in various parts of the world. Added to which, there were also concerns about a continuation of the trade war.

The corona crisis was record short-lived on the capital markets, at least at this stage. Following central bank and other public support, the high-risk parts of the markets saw an unprecedentedly fast correction movement and ultimately, the end of 2020 again saw a number of new record levels being reached.

Keva had a very good investment year in 2020, with all asset classes delivering positive returns in the end. Measures taken throughout the year ensured Keva's liquidity in all foreseeable circumstances.

At the start of 2020, Keva's investments had a market value of EUR 53 272 million and at year end a market value of EUR 53 735 million. The market value of investments used to calculate return includes not only the above assets but also transferred interest included in accrued income as well as other items totalling EUR 4 274 million. Taking into account these items, the market value of the tied-up capital totals EUR 58 009 million. This breakdown of imputed returns has been used to calculate the breakdown for each asset class.

Investments are divided into fixed income, equity, real estate, private equity and hedge fund investments. Fixed income investments are loans, bonds and money

Investments at fair value

	€m	%
Fixed income investments	20 760	35,8
Equity investments	22 871	39,4
Real estate investments	3 691	6,4
Private equity investments	7 154	12,3
Hedge funds	3 534	6,1
Total	58 009	100

Forex allocation of investments at fair value

	€m	%
EUR	27 449	47,3
USD	27 138	46,8
JPY	2 274	3,9
GBP	287	0,5
SEK	566	1,0
CHF	126	0,2
Other	170	0,3
Total	58 009	100

Geographical allocation of investments at fair value

	€m	%
Europe (incl. Finland)	18 481	31,9
North America	15 694	27,1
Finland	9 820	16,9
Emerging markets	9 531	16,4
Japan	2 273	3,9
Other	2 210	3,8
Total	58 009	100

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.

Of the different investment assets, the best performers were private equity investments at 11,6 %, listed equities at 7,0 % and hedge funds at 2,8 %. The return on fixed income investments was 1,5 % and on real estate investments 0,7 %.

At year end, fixed income investments (including the effect of derivatives) accounted for 35,0 % of the risk-appropriate market value of Keva's investment assets, listed equities for 40,2 %, private equity investments (including unlisted equities) for 12,3 %, hedge funds for 6,1 % and real estate for 6,4 %.

After costs, the total market value return on Keva's investments was 4,7 %. The cumulative capital-weighted real return on investments since funding started in 1988 to year-end 2020 was 4,0 % a year. The average real return, excluding capital weighting, over the same period was 5,2 %. The five-year nominal return without capital weighting has been 5,8 % and the real return 5,0 %. The ten-year nominal return without capital weighting has been 6,1 % and the real return 4,9 %.

Fixed income investments

The year started with still very low market interest rates. Because of the corona pandemic, central banks provided massive support and so interest rates also remained very low.

Keva's investments in bonds and fixed income funds had a market value of EUR 16 110 million at year-end 2020. The market value return on bonds was 2,1 %.

Loans, excluding those granted to Keva companies, totalled EUR 101 million at year-end 2020. The loan portfolio contracted by EUR 23 million during the year and the market value return on loans was 0,3 %.

Other money market instruments and deposits totalled EUR 4 548 million at year-end 2020.

A total of EUR 97 million in interest income was

booked on fixed income investments. The market value return on all fixed income investments was 1,5 %.

Equity investments

For equities, 2020 started with a continuation of the positive trend seen the previous year. In the early spring, the corona pandemic led to a record fast crash of the listed equities markets. However, with massive support from public actors, the stock markets soon started to quickly rally and the upswing ultimately continued for the rest of the year. Many share indexes again broke records at the end of the year.

The MSCI ACWI IMI, which illustrates the average performance of the world's equities, ended 2020 at 6,4 %, compared to 28.8% a year earlier. Measured by MSCI Europe IMI, the return on European equities was -2,3 % (2019: 26,7 %). The return on Asian equities (MSCI EM Asia IMI) was 8,4 % (2019: 19,9 %).

At year-end 2020, the total market value of Keva's listed equity investments was EUR 22 871 million. Dividends received on equity investments were EUR 34 million. The market value return on listed equity investments was 7,0 %.

Real estate investments

Keva's real estate portfolio consists of internal 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 25,1 % of real estate investments.

In the internal real estate portfolio, the aim is for the diverse development of the portfolio by investing in i.a. residential, office, shopping centre and hotel properties. Keva began to diversify the geographical spread of its internal real estate portfolio in 2015 starting with investments in Sweden, followed by Denmark in 2017.

The year-end market value of real estate and real estate shares was EUR 3 691 million, of which real estate funds accounted for EUR 926 million and traditional bonds in real estate companies accounted for EUR 150 million. In addition, Keva had real estate investments of EUR 45 million in its own use, but these are not included in investment operations.

At year-end 2020, the 130 real estate properties owned directly by Keva had a total lettable area of around 920 000 m². There were around 4,200 leases in place generating a net rental income of EUR 91 million. The total market value return on internal real estate investments was 1.9%.

An external valuation of real estate investments is carried out annual based on the situation at the end of the year. The effects of the corona pandemic on the valuation of real estate investments are most in evidence in the real estate valuations of the properties when comparing valuations between the situations at year-end 2019 and 2020. The valuation difference naturally includes other changes but is the best external view of the matter. As a rule, Keva has given corona discounts based on the customer and property or in the form of payment arrangements while extending the lease at the same time. This is especially clear in hotels, where individual discounts have been greater. Shopping centres have also faced huge challenges during corona but we have tried to ensure our tenants come through this exceptional time. We have given interest-free payment periods for discounts of up to one year and at the same time extended the lease by several years. We have thus accepted a reduced cash flow for 2020 and partly for 2021, but at the same time have been able to support the real estate value.

Investment commitments made in Finnish and foreign real estate funds totalled EUR 2 555 million, of which undrawn commitments amounted to EUR 961 million. The market value return on real estate funds was -2,6 %.

The market value return on all real estate investments was 0,7 %.

Private equity and hedge fund investments

The private equity investment landscape was challenging first when listed stock markets crashed in the early spring before subsequently recovering quickly towards the end of the year. Nevertheless, the recovery of listed markets has not been based on any economic recovery but more on capital flowing into the markets. However, the private equity markets have

once again withstood this disruption well. The hedge fund investment landscape faced market changes throughout the year.

At year-end, Keva's private equity investments had a market value of EUR 7 154 million, of which investments in unlisted equities accounted for EUR 904 million. Investment commitments made to private equity investments in equity funds and as a silent partner at year-end totalled EUR 12 814 million, of which undrawn commitments amounted to EUR 5 217 million. The market value return on private equity investments (excl. unlisted equities) was 8,6 % and the return on unlisted equities was 39,0 %.

Investments in hedge funds had a market value totalling EUR 3 534 million at year-end and the market value return on hedge funds was 2,8 %.

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. Keva

considers responsible investing to be an integrated part of long-horizon investment operations.

Keva's Board of Directors has decided on the key principles of social 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 responsibility is integrated into the investment process.

The Board of Directors receives regular reports on how responsibility has developed in investment operations. 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 2020, Keva owned in whole or in part a total of 128 Finnish real estate companies, one less than a year earlier. Keva owned 109 Finnish real estate companies in full and had a majority holding in eight others. There were eight associated companies (holding of 20–50 %) and five real estate companies in which Keva had a smaller holding than this. 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 2020, the fund stood at EUR 58 853 million, which was EUR 2 310 million or 4 % 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 126 billion at year-end 2019.

During 2020, the net present value of the accrued benefits grew by EUR 4 billion to EUR 130 billion. Since the pension liability fund grew by less than the growth

of the net present value, the net present value of the unfunded benefits increased by EUR 2 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 2020 totalled EUR 84,6 million, which is EUR 4,7 million or 5,3 % lower than in 2019.

The largest individual cost item was personnel expenses, which were EUR 41 million, which was EUR 0,7 million or 1,6 % lower than in 2019. IT costs were EUR 22,8 million, which was EUR 2,3 million or 9,1 % lower than in 2019. Other operating costs were EUR 12,8 million, EUR 2,7 million and 17,3 % lower than a year earlier.

Keva received reimbursements totalling around EUR 16,8 million (2019: EUR 18,5 million) for operating costs and depreciation for managing the pension provision of other than Keva member organisations. Of this reimbursement, the State paid around EUR 13,9 million, the Evangelical Lutheran Church around EUR 1,8 million and the Social Insurance Institution of Finland Kela around EUR 0,6 million.

Keva's net operating costs, including reimbursements received, reflect the costs of managing the pension provision of Keva member organisations. These costs were EUR 67,9 million, which was EUR 3 million or 4,2 % lower than a year earlier.

When examined by function, the gross costs of pension operations were EUR 41,8 million, down 11,9 % on the figure a year earlier. Taking into account the reimbursements received, the costs of pension operations contracted 10,7 %. The costs of investment operations were EUR 20 million or 0,5 % lower than in 2019. No reimbursements were allocated to investment opera-

tions. Gross operating costs of other operations were EUR 22,9 million, 4,7 % higher than in the previous year. Taking into account the reimbursements received, operating costs of other operating costs rose 4,7 %.

IT software and hardware investments were EUR 2,1 million, EUR 7 million less than a year earlier. The significant reduction in the total amount was because considerable contractual compensation was received from the supplier of the pensions payment system (Emma project). This multi-year project continues and by year-end 2020 the total project costs are EUR 8,6 million. The pension payment calculation system (Massi project) was completed in summer 2020: the investment in 2020 was EUR 0,3 million and the whole project cost EUR 2,6 million.

Depreciation according to the plan in 2020 was EUR 8,1 million, EUR 0,9 million or 12,8 % more than in 2019.

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, which was the same as in 2019. 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 18,5 million, EUR 1,7 million less than in 2019, in reimbursements for operating costs, depreciation and statutory payments from the State, the Evangelical Church and the Social Insurance Institution of Finland Kela.



ADMINISTRATION

Keva's administration was reformed by an amendment (513/2020) to the Act on Keva (66/2016) that entered into force on 1 July 2020.

Councillors

Keva has 30 councillors, each of whom has a personal deputy. The Ministry of Finance appoints Councillors for four years at a time. Six councillors and as many deputies are appointed from among the persons put forward by the principal contracting organisations referred to in the municipal main agreement. Four councillors and as many deputies are appointed from among the persons put forward by Local Authority Employers. The twenty other councillors and deputies are appointed from among the persons put forward by the central organisation for Finland's municipalities so that municipalities, joint municipal authorities and different parts of the country are fairly represented by the Councillors.

The councillors are responsible for supervising Keva's administration and operations, electing the members and deputy members of the Board of Directors and the auditor, deciding the grounds for remuneration and other emoluments to be paid to elected officials, considering the financial statements and auditor's report and deciding on the adoption of the financial statements, the discharge from liability to the Board of Directors and other accountable persons, and any other steps warranted, deciding on the payment contributions of member bodies and for adopting the budget for the following year to be followed as the general directions of the management of finances, and an operational and financial plan for three or more years.

Councillors appointed by decision of the Ministry of Finance for the term of office 2020–2021 convened twice in 2020. The term of office of the councillors began on 1 August 2020. The Councillors were chaired by Mr Harri Jokiranta, head of health and social services, from Seinäjoki and the deputy chairperson was Ms Maarit Ojavuo, HTM from Kajaani.

Keva has an Election Committee elected by the councillors. The Election Committee prepares a

proposal for the Councillors for the remuneration of elected officials and for the appointment of the Board of Directors. The members of the Election Committee must be Keva councillors. The Councillors' Election Committee was chaired by Juhani Nummentalo and the deputy chairperson was Toni Eklund and there were nine councillors as members. The Election Committee convened once in 2020.

The Councillors convened twice in 2020. The attendance rate of Councillors at meetings was 97 % and 98 % when deputies are included. Councillors receive an attendance fee of EUR 450, in addition to which the chairperson was paid an annual fee of EUR 10 000 and the deputy chairperson EUR 9 000. A total of EUR 39 750 was paid in meeting fees to Councillors.

Until 30 June 2020, Keva's highest decision-making authority was the Council, whose members are appointed by the Ministry of Finance for one electoral period at a time. The Council had 30 members, 26 of whom were appointed on the basis of a proposal by the Association of Finnish Local and Regional Authorities on the basis of the results of the municipal elections. Four members were 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 ended on 31 July 2020 in accordance with the entry into force of the commencement provisions of the amending act. The Council was chaired by Mr Harri Jokiranta, head of health and social services, from Seinäjoki and the deputy chairperson was Ms Maarit Ojavuo HTM Kajaani.

The Council convened once in 2020. The attendance rate of the Council's ordinary members was 97 % and 98 % when deputy members are included. Council members are paid an attendance fee of EUR 400 for meetings, in addition to which the chairperson and deputy chairperson are paid an annual fee of EUR 9 000 and EUR 8 000 respectively. Council members were paid total attendance fees of EUR 16 800.

Change of Board of Directors

Keva's administration is the responsibility of the Board of Directors, which the Councillors elect for a two-year term of office. The Board of Directors has 11 members, each of whom has a personal deputy. Three members and their deputies are elected from among persons put forward by the principal contracting organisations referred to in the municipal main agreement. Two members and their deputies are elected from among the persons put forward by Local Authority Employers. Six members and their deputies are elected from the persons put forward by the central organisation for Finland's municipalities. The Councillors appoint one ordinary member as chairperson and one as deputy chairperson.

In their meeting on 18 August 2020, the Councillors elected Ms Minna Arve MSc (Econ. and Bus. Admin.) Mayor of Turku as chairperson of the Board of Directors, Mr Kari Nenonen as deputy chairperson and other members of the Board of Directors as follows: Ms Diana Bergroth-Lampinen MSc (Econ. and Bus. Admin.), communications and HR manager; Mr Markku Jalonen, Director General of Local Government Employers KT; Ms Heli Järvinen, Member of the Finnish Parliament; Ms Else-Mai Kirvesniemi, Advocacy Director; Mr Saku Linnamurto, CEO; Ms Kirsi-Marja Lievonon, Director of Human Resources; Mr Markus Lohi, Member of the Finnish Parliament; Mr Olli Luukkainen, Local Government Employers KT/chairperson and Ms Päivi Niemi-Laine, Chief Executive Officer at Local Government Employers. In accordance with the entry into force of the commencement provisions of the act, the term of the Board of Directors is exceptionally 2020–2021.

The Board of Directors whose term of office ended on 18 August 2020 was chaired by Ms Minna Arve MSc (Econ. and Bus. Admin.) Mayor of Turku. Mr Kari Nenonen served as deputy chairperson. 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 LLM; 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, President, JAU ry.

The Board of Directors convened 15 times during the year. The attendance rate of ordinary members was 97 % and 98 % when deputy members are included. The chairperson and deputy chairperson of the Council and since 1 July 2020 of the councillors have the right to attend and speak at Board of Directors' meetings.

Members of the Board of Directors received an attendance fee of EUR 400 for meetings until 18 August 2020. In addition the chairperson of the Board was paid an annual fee of EUR 18 000, the deputy chairperson EUR 10 000 and members were paid a fee of EUR 8 000. Under the councillors' decision of 18 August 2020 on fees, the attendance fee for members of the Board of Directors is EUR 450. In addition, the chairperson of the Board is paid an annual fee of EUR 20 000, the deputy chairperson EUR 12 000 and members are paid a fee of EUR 9 000.

Board members were paid attendance fees totalling EUR 72 925 in 2020.

Keva has a new statutory body, the Board of Directors' Audit and Risk Management Committee, who are tasked with overseeing the adequacy and appropriateness of financial reporting, internal control, internal audit and risk management. The Committee considers the plans and reports of the risk management, internal audit and compliance function. In addition, the Committee prepares the proposal for the election and fees of the auditor for Keva Councillors and oversees the preparation of the financial statements and statutory audit.

The Board of Directors adopted the Audit and Risk Management Committee's rules of procedure and at its meeting on 23 September 2020 elected five members to the Committee from among the Board members. The Audit and Risk Management Committee is chaired by Ms Minna Arve, chairperson of the Board of Directors, with Mr Kari Nenonen as deputy chairperson and Ms Kirsi-Marja Lievonon, Mr Markus Lohi and Olli Luukkainen as members. The Committee convened once during 2020.

Advisory committees

Until 30 June 2020, Keva had an Investment Advisory Committee, which together with the Council and the Board of Directors was a statutory body of Keva. The Board of Directors appointed ten members to the Investment Advisory Committee for its term of office, which was the same as the term of office of the Board of Directors, except in 2020 when it ended on 30 June 2020. The Investment Advisory Committee included representatives of the municipal main 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 2020.

Under the Standing Orders valid until 30 June 2020, the Board of Directors elected 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 had 12 members, six of whom were chosen on the basis of proposals by the municipal main negotiating organisations. The Working Life Development Group was chaired by Mr Aki

Lindén, Chief Executive Officer of HUS Joint Authority. The Working Group did not convene during the year under review. The term of office of the Working Life Development Working Group ended on 18 August 2020.

Management Group met 41 times

Mr Timo Kietäväinen served as Keva's CEO and Mr Tapani Hellstén and Mr Kimmo Mikander served as deputy CEOs. Mr Hellstén's primary remit in 2020 was employer and work ability services and Mr Mikander's remit was pension and ICT 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 41 times during the year.

The Management Group was chaired by CEO Mr Timo Kietäväinen and its members from 10 January 2020 were deputy CEOs Mr Tapani Hellstén and Mr Kimmo Mikander, CIO Mr Ari Huotari, CFO Mr Tom Kåla and Communication Director Reija Hyvärinen as well as staff representative, shop steward Ms Tiina Ijäs. Mr Markus Mankin served as secretary to the Management Group.



PERSONNEL

At year-end 2020, Keva employed 506 (2019: 528) people, of whom 10 were temporary. The total work input was 485,2 full-time equivalents (501,2 fte). Women accounted for 68 % of Keva's personnel and the average employee age 50,7 years (2019: 49,8 years). There were 40 (41) permanent employees who left Keva.

Reorganisation

A reorganisation based on the strategy was completed in 2020. Keva's operations were organised by function so that the line organisation was harmonised in accordance with the main processes identified.

Employee consultations were held in conjunction with reorganisation. Eight rounds of consultations took place between 11 February and 17 April 2020. The consultations considered the presentations by the various functions of the organisation structure and the ways in which the personnel would be placed in the new organisation. The consultations ended in unanimity.

Following employee consultations, an internal application process was held for new positions. Decisions concerning the personnel were made at the end of May and the new organisation entered into force on 1 June 2020.

After the entry into force of the reorganisation, the job descriptions in respect of the changes were reviewed in the autumn and the necessary decisions were made on employment terms and conditions.

Employee engagement and work ability was taken care of in the change and 14 info briefings for the personnel were held.

Working efficiently during corona

Based on a decision made by the extended risk management group, Keva switched to working from home from 17 March 2020. Working from home remained the norm throughout the year. The extended risk management group met weekly during the spring to review the situation and decide on measures.

Maintaining up-to-date guidance and ensuring that there were enough personnel at work also during any simultaneous sickness were key to managing the corona situation.

Despite the lockdown and the extra work it caused in itself, normal operations were kept running and at the same time new ways of working developed in response to new circumstances. The personnel switched over flexibly to working from home and were given the tools to do so.

A raft of various measures was taken to support the work ability of the personnel and to ensure the continuity of operations.

Keva's staff restaurant Kefateria closed on 25 March 2020. Employees working from home and also those working in the office when staff dining was closed were given a pay increment to compensate for the loss of lunch benefit.

The weekly Kevafilis pulsometer showed that employee satisfaction remained almost steadily at a good level throughout the year. This tells of successful change management and that work could be well organised even during very exceptional conditions.

Training for new ways of working

The personnel programme based on the strategy and drawn up in 2019 was implemented in various projects. These developed among other things training programmes for strategic areas of expertise, a workbook to identify own expertise and career planning, a culture of continuous on-the-job learning, work time management and HR knowledge-based management.

Joint coaching and training focused on the themes of updating expertise and the change in the way of working brought about by extensive remote working.

The new Working Time Act (872/2019) entering into force on 1 January 2020 brought with it a new form of working time, flexitime, and changed working time calculation in preparation for monitoring the maximum amount of working time.

Keva joined the Oikotie Responsible Employer campaign and in spring 2020 carried out a responsibility survey. Keva's strength was meaningful work.

The Signi survey, which measures factors important for individual wellbeing and motivation and how these factors are implemented in everyday work, was piloted as the employee survey. The survey results will be

processed in 2021.

The equality and non-discrimination plan was revised to highlight the importance of diversity, which was supported by rolling out a four-part diversity training programme "A diverse work community enriches life". Keva also took part in Helsinki Pride Week in September 2020. Pay equality between genders has been improved by allocating pay rises in the autumn for this purpose.

Autumn 2020 saw a start made on reforming the bonus system, making it important to get unit goal setting and indicators to support Keva's strategic change. Decisions on the reform will be taken in early 2021.

Work on job demand assessment was completed in 2019 and in 2020 the demand assessments were used to assist in reorganisation and in allocating pay rises. The demand assessments give a good basis for a more consistent salary policy, which also allows for a better review of gender equality.

Keva's collective agreement negotiations were held on 19–21 August 2020 and on 23 September 2020, the Board of Directors adopted the collective agreement for the agreement period 1 April 2020 to 28 February 2022.

Support for Keva employees' work ability

Occupational healthcare partnership with Terveystalo has become established and is at a good level. Cooperation during the coronavirus year was more intense than normal: Terveystalo conducted a risk assessment of the employees working in the office, Coronavirus testing began and the services of an occupational health psychologist were offered at a lower threshold.

During 2020, Terveystalo conducted a workplace survey in Employer and work ability. Workplace surveys will continue one function at a time in coming years.

During the autumn, Keva pension provider carried out a Work ability management 360-degree analysis for Keva employer customers. Based on the results of the analysis, measures will be initiated to improve strategic work ability management.

Employee sickness absenteeism decreased by 10,3 % compared to 2019. The personnel's health percentage rose, and 54 % of the staff were not ill at all during 2020.

Keva aims to increase measures to support work ability. Total occupational healthcare costs were down 7,5 % compared to a year earlier. The share of the costs of preventive and proactive work was successfully included in the costs and the relative share of medical care decreased correspondingly.

Absences have on the rise because of mental health illness. This is why short-term psychotherapy services were introduced for a maximum of 10 employees a year on a trial basis.

Keva has an active support model in place to support and maintain work ability. Use of the model has enabled managers to be proactive in intervening if the work ability of those under them deteriorates. This in turn has contributed to lower sickness absenteeism.

As in earlier years, wellbeing in the workplace was supported through culture and exercise clubs, which because of the corona pandemic in 2020 were mostly held remotely. Keva also offers its employees culture and exercise vouchers as well as employer-subsidised commuter tickets.



IT

On the IT front, Keva's focus in 2020 was on developing the efficiency of IT systems, digital services, automation and knowledge-based management as well as developing the overall architecture. Service development is also being further speeded up in line with Keva's strategy.

The switch in March to broad-scale remote working highlighted the functioning of IT systems and infra services, such as tools and telecommunications connectivity. Infra performed excellently throughout the year and ensured Keva's mission and high customer satisfaction.

In line with the overall plan, with the help of software robotics, process automation and new technologies, for example, Keva made wide use of automation in both in-house and customer service processes. To increase

the efficiency of our operations, we have launched numerous trials to examine image and text recognition and the utilisation of analytics.

Keva has for several years been developing data hotels and a database and in 2020 progressed to developing analytics capabilities and data visualisation.

On the technology architecture front, Keva continued work on the migration of systems and services to a cloud environment. Competitive tendering sought efficiency and new partnerships.

On the data security front, besides strengthening basic capabilities, cyber security exercises and training among other things were held for our personnel.

IT was reorganised on a competence and capability basis in terms of infrastructure, architecture and ICT services.



INTERNAL CONTROL

Internal control means all the procedures, systems and methods through which Keva's management aims to ensure efficient, economical and reliable operations. The internal control policy adopted by Keva's Board of Directors describe the key principles of internal control that are complied with as permanent guidelines in the arrangement of internal control at Keva. 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 and this continued also in 2020, when the mapping of reputation risk was integrated as part of the risk management process according to Keva's annual clock. Strengthening general risk management awareness and the rollout in practice 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.

In the reorganisation, a new unit for independent risk management and compliance, CRH, was set up in conjunction with Enabling Operations. The unit is staffed by independent risk management experts and a compliance officer under the Administrative Director.

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.

Most significant risks

The most significant tasks of risk management in 2020 involved management and control of the corona situation. Keva adapted well to the crisis situation created by the corona pandemic in the world. In March, Keva switched over to broad-scale remote working and management was based largely on existing contingency plans and a phased separate plan adopted by Keva's Management Group in early March.

The most significant changes in Keva's operating environment are structural changes in public sector service 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 key respects open, it is to be expected that the changes 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 involved in the possible merger of the pension systems. The key unanswered questions are related to the preparation and implementation schedule as well as to the costs of the merger.

The adequacy of Keva's long-term funding was also identified as a significant risk. This risk is against underlying growing pension liabilities at the same time as a deterioration, for various reasons, of the funding base. Because the Keva system is not funded, the above will ultimately lead to upward pressure on both contribution levels and investment returns. With regard to investment returns, increasing the return requirement will also put pressure to increase risk-taking. The cumulative capital-weighted, annual long-term real return on investments between 1988 and 2020 was 4,0 %.

Major risks are also estimated to be inherent in successful 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.

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 2020 related to the personnel, operating processes, data systems, data security and data protection as well as to procurement and project management.

A major operative risk materialised in 2020 when Keva paid January 2021 local government pensions already on 16 December 2020 and they were in pension recipients' bank accounts on 17 December 2020. The cause of the risk, human error, was the result of the realisation of a number of underlying risks. The events and reasons for them have been identified and

corrective actions have either been completed or are progressing to plan.

Market and liquidity risks

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 2 994 million at year-end 2020, 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 2019 was EUR 1 424 million. The VaR figure has risen clearly since the annual volatility has increased and was 9,5 % compared to 5,1 % in 2019.

Since the end of 2017, 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.

The corona pandemic that broke out in the spring had some effect on pension contribution accrual during the year. For Keva's business continuity, it was important to ensure liquidity management in a situation where in March 2020 Keva had to take the unusual decision to allow the payment of earnings-based contributions to be deferred by four months. Keva ensured adequate liquidity when making this decision. Around one third of customers ultimately did not take advantage of later payment at all.

Compliance

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 Administrative Director, 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 2020, Compliance prepared a self-assessment of the expertise of members of Keva's Board of Directors in cooperation with Keva's oversight authorities, i.e. the Ministry of Finance and Financial Supervisory Authority. Cooperation between the oversight authorities and Keva continued with regular meetings at which all parties were present at the same time. Compliance participated as an expert in the implementation of the amendment to the law entering into force on 1 July 2020 and concerning Keva's administration. The Compliance officer chaired Keva's risk assessment working group and acted as secretary in preparing Keva's risk assessment process and documents.

Keva has opened an internal whistleblowing channel, an ethical channel, to report any suspected abuses. Reports received via the channel are processed confidentially by Keva's Ethics Team. In 2020, the Ethics Team processed three reports which it had been made

aware of before the whistleblowing channel was opened. No reports were received via the channel in 2020.

In 2020, Compliance was involved in tracking the progress of key legislative projects affecting Keva and its operating environment and assessed the implications of these projects.

Keva's insider guidelines were updated in 2020.

Internal audit assesses the effectiveness of internal control

Internal audit is part of Keva's control and supervision system and assists the CEO and supports the Board of Directors in their supervisory duties. Internal audit is tasked with independently and objectively assessing and ensuring the adequacy and effectiveness of the internal control, management and governance procedures of Keva's operations and processes. Internal audit also issues recommendations and proposals for development to improve these processes.

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



OUTLOOK

Corona will still cause uncertainty in 2021

The second wave of the pandemic has slowed the pace of economic recovery in early 2021 and uncertainty is likely to continue for a while to come. However, the Finnish economy is expected to recover and to slowly still return to growth in 2021. The key factor will be how effectively the vaccination programme can be implemented and the effectiveness of various restrictions.

The Finnish economy has so far weathered the coronavirus crisis with less damage than is the case in many other countries in Europe. According to the Bank of Finland's Economics Review, third-quarter GDP in the eurozone was around 4,5 % below the pre-pandemic level, whereas Finland's GDP had fallen 2,5 % over the same period. There is still a relatively large number of layoffs. On the other hand, many industries and regions are experiencing increasing labour shortages.

The Finnish government's measures to support local government finances have clearly temporarily strengthened local government finances. According to information from the Association of Finnish Municipal Authorities, municipalities received around EUR 3 billion in Government corona support in 2020.

The Ministry of Finance estimates that government support measures related to the coronavirus situation will disappear after 2021 and that cash flow from business operations and investments will be more than EUR 2 billion negative at the end of the budget planning period. Since municipal investments were up 5 % year on year at EUR 5,67 billion and preliminary financial statements from municipalities and joint municipal authorities indicate that they are likely to remain high in the next few years, also the loan stock of municipalities and joint municipal authorities will continue to show rapid growth and according to the 2024 local government finances programme threaten to reach EUR 33 million.

Based on municipal-specific pressure calculations drawn up in conjunction with the local government finances programme, there will be pressure to adjust economically in all municipality size groups over the next few years. In 2021–2022, cash flow from business

operations and investments is estimated to weaken in all municipality size groups as government support measures contract.

Appropriateness of merging the pension systems to be resolved

The term of office of the working group set up by the Ministry of Social Affairs and Health and the Ministry of Finance to prepare for the merger of the pension systems will end on 31 December 2021. The working group's mandate is to prepare a proposal to merge the local government and private sector pension systems on the basis of the proposals and guidelines of the working group examining the differences in the pension systems. Keva is involved in the work as an expert. Following any merger of the pension systems, the risks arising from the change in the operating environment would be borne jointly by the existing funders of the private sector and local government pension systems. Such significant changes may arise for example in employment or in the development of average life expectancy. Merging the pension systems would remove the effects of cross-sectoral labour transfers on the contribution bases of the pension systems. Following any merger, pension system issues would not affect solutions relating to the way in which municipal services are provided and nor would there be any need for special pension arrangements in the context of structural change.

By the end of 2021, it will largely be decided whether the merger of the pension systems will take place. If the merger does go ahead, it would result in the most significant change in Keva's operating history: Keva's existing operations would be split in the mid-2020s and the pension cover of the employees of local government employers managed by Keva would be transferred for pension insurance in the system under the Employees Pension Act. Legally, Keva's operations would be continued on the one hand by a pension provider governed by public law and managing the pension matters of the State, Evangelical Lutheran Church, Social Security Institution of Finland Kela and the Bank of Finland, and on the other by a new mutual

earnings-related pension insurance company to be established by law.

It is intended that any merger would take place cost neutrally. In a cost-neutral merger, the contribution burden of any pension payer collective would not change in the long term. The contribution burden of payer collectives would remain unchanged if the expenditures and incomes transferred from the local government pension system to the TyEL system are in balance. Implementation of the merger would require preparation to be able to find a way in which neutrality in merging the systems could be achieved in a way that meets the terms and conditions.

Keva is preparing for health and social services reform

Under the Programme of Prime Minister Sanna Marin's Government, Finland will carry out the reform of healthcare, social services and rescue services and establish wellbeing services counties

Approximately 172 900 persons from 332 municipalities or joint municipal authorities will transfer to the wellbeing services counties through business transfers. The staff of units, institutions and joint municipal authorities providing municipal healthcare and social services will transfer with their jobs in full to the service of the wellbeing services counties. With regard to joint municipal support services, the employee will transfer to the service of the wellbeing services county if at least half the person's current duties are directed at municipal healthcare and social services. Wellbeing services counties would assume responsibility for organising healthcare, social services and rescue services and other separately regulated services and tasks from the start of 2023.

The plan is to stagger the entry into force of the bills related to the proposal so some of bills will enter into force on 1 July 2021 and some on 1 March 2022 once the new county councils begin operating.

For Keva, health and social services reform will mean the emergence of significant new member organisations, wellbeing services counties, whose personnel will constitute the majority of Keva's

employee customers going forward. Keva is preparing for the reform by developing services for the needs of wellbeing services county corporations without forgetting the importance of work ability management.

Emphasis on proactive and determined work ability management

Fast-paced change in service structures and measures aimed at improving productivity will challenge work and staff work ability in the public sector. The change will call for increasingly better leadership. Above all, it will mean systematically identifying and assessing employer-customer work disability risks. Assessment will make extensive use of the data in use, customer self-assessment and Keva's expert assessment. A systematic work disability risk assessment process will enable effective action in different types of work in the public sector.

The corona pandemic has changed ways of working as working from home and hybrid work increases at an unprecedented rate. At the same time, the change in organisational leadership models and structures – the increase in self-direction and decrease in the numbers of supervisors – emphasises the need to manage work disability risks: work ability management needs to be taken seriously.

Keva is the only earnings-related pension provider with a statutory duty to reduce work disability risk. Work disability risks are also growing because of different skills shortages. Effectively reducing work disability risks require a strong proactive grip on work ability management, which in turn requires a strengthening of an ability to reform and a proactive reduction in disability risks arising from skills shortages.

Knowledge-based management still requires much development work. We need proactive, intelligent knowledge-based management that is supportive of reform. A strong proactive grip on work ability management will ultimately be highly financially rewarding. Keva is developing new services, operating models, forms of partnership and networks to strengthen the ability to effectively manage work ability.

New CEO

Keva CEO Timo Kietäväinen notified the Board of Directors on 27 January 2021 that he intended to retire on 1 November 2021. The Board of Directors decided to set up a 5-member committee from among

its members to prepare for the selection of a new CEO. The committee is chaired by Ms Minna Arve, who chairs Keva's Board of Directors. The Board will decide on the selection of a new CEO later in 2021.

Appendix

PENSION SYSTEM-SPECIFIC TABLES

Total pension application processing time (days) and service level 2020

Pension type	Local government days	State days	Church days	Kela days	Private providers days
Old age pension	12	10	11	10	11
Partial early old-age pension	3	2	3	2	3
Disability pension	38	39	37	28	33
Survivors' pension	9	8	8	7	16
Rehabilitation promises	17	16	12	16	18
Service level	93,2	95	94	95,9	..

Source for processing times: Finnish Centre for Pensions

Application rejection rates 2020

Application	Local government %	State %	Church %	Kela %	Private providers %
New disability pension	29,0	24,8	35,0	37,3	36,4
Rehabilitation	25,2	26,1	26,8	30,6	35,4

Source: Finnish Centre for Pensions

Pension decision rectification procedure 2020

Self-rectified by Keva	Local government	State	Church	Kela
<i>Number of appeals against Keva decisions</i>	<i>1 201</i>	<i>208</i>	<i>33</i>	<i>15</i>
Rectification rate of all appeals	11,2 %	13,9 %	18,2 %	13,3 %
Number of appeals concerning work ability assessment	1 023	124	26 kpl	14
Rectification rate of appeals concerning work ability assessment	11,2 %	13,7 %	15,4 %	14,3 %
<i>Number of appeals against decisions of the Pension Appeal Board</i>	<i>140</i>	<i>14</i>	<i>5</i>	<i>0</i>
Rectification of all appeals	2,1 %	14,3 %	0,0 %	..
Number of appeals concerning work ability assessment	131	10	5	0
Rectification rate of appeals concerning work ability assessment	2,3 %	20,0 %	0,0 %	0,0 %

Number of decisions

Number of decisions on local government pensions and other benefits by pension type 2020 and 2019

Type	2020 no.	2019 no.	Change %
Old-age pension	14 665	16 596	-11,6
Partial early old-age pension	3 512	3 580	-1,9
Full disability pension	15 171	15 110	0,4
<i>of which new decisions</i>	5 323	5 455	-2,4
Partial disability pension	9 367	9 524	-1,6
<i>of which new or preliminary decisions</i>	3 705	3 637	1,9
Years of service pensions	34	16	112,5
Survivors' pension	3 079	2 893	6,4
Part-time pension	26	77	-66,2
Other pension matters	327	285	14,7
Rehabilitation decisions	6 672	7 100	-6,0
Total	52 853	55 181	-4,2

Number of decisions on State pensions and other benefits by pension type 2020 and 2019

Type	2020 no.	2019 no.	Change %
Old-age pension	4 886	5 214	-6,3
Partial early old-age pension	755	774	-2,5
Full disability pension	1 685	1 689	-0,2
<i>of which new decisions</i>	588	570	3,2
Partial disability pension	1 054	1 157	-8,9
<i>of which new or preliminary decisions</i>	390	470	-17,0
Years of service pension	1	2	-50,0
Survivors' pension	2 576	2 599	-0,9
Part-time pension	12	28	-57,1
Other pension matters	9	61	-85,2
Rehabilitation decisions	584	572	2,1
Total	11 562	12 096	-4,4

Number of decisions on Church pensions and other benefits by pension type 2020 and 2019

Type	2020 no.	2019 no.	Change %
Old-age pension	585	703	-16,8
Partial early old-age pension	114	113	0,9
Full disability pension	648	631	2,7
<i>of which new decisions</i>	226	249	-9,2
Partial disability pension	211	198	6,6
<i>of which new or preliminary decisions</i>	100	82	22,0
Years of service pension	1	0	..
Survivors' pension	181	171	5,8
Part-time pension	0	1	-100,0
Other pension matters	0	0	..
Rehabilitation decisions	146	167	-12,6
Total	1 886	1 984	-4,9

Number of decisions on Kela salaried employee pensions and other benefits by pension type 2020 and 2019

Type	2020 no.	2019 no.	Change %
Old-age pension	158	160	-1,3
Partial early old-age pension	28	43	-34,9
Full disability pension	93	87	6,9
<i>of which new decisions</i>	27	25	8,0
Partial disability pension	167	180	-7,2
<i>of which new or preliminary decisions</i>	51	67	-23,9
Years of service pension	0	0	..
Survivors' pension	41	44	-6,8
Part-time pension	0	0	..
Other pension matters	0	0	..
Rehabilitation decisions	72	61	18,0
Total	559	575	-2,8

Number of applications

Number of application for local government pensions and other benefits by pension type 2020 and 2019

Type	2020 no.	2019 no.	Changes %
Old-age pension	14 577	16 285	-10,5
Partial early old-age pension	3 497	3 358	4,1
Full disability pension	15 134	15 213	-0,5
Partial disability pension	9 301	9 585	-3,0
Years of service pension	36	16	125,0
Survivors' pension	3 086	2 908	6,1
Part-time pension	23	74	-68,9
Other pension matters	363	318	14,2
Rehabilitation	6 807	7 187	-5,3
Total	52 824	54 944	-3,9

Number of applications for State pensions and other benefits by pension type 2020 and 2019

Type	2020 no.	2019 no.	Changes %
Old-age pension	4 879	5 175	-5,7
Partial early old-age pension	749	721	3,9
Full disability pension	1 685	1 689	-0,2
Partial disability pension	1 045	1 159	-9,8
Years of service pension	1	2	-50,0
Survivors' pension	2 572	2 620	-1,8
Part-time pension	11	27	-59,3
Other pension matters	6	65	-90,8
Rehabilitation	597	589	1,4
Total	11 545	12 047	-4,2

Number of applications for Church pensions and other benefits by pension type 2020 and 2019

Type	2020 no.	2019 no.	Changes %
Old-age pension	576	691	-16,6
Partial early old-age pension	114	99	15,2
Full disability pension	641	627	2,2
Partial disability pension	209	185	13,0
Years of service pension	1	0	..
Survivors' pension	181	171	5,8
Part-time pension	0	1	-100,0
Other pension matters	0	0	..
Rehabilitation	148	176	-15,9
Total	1 870	1 950	-4,1

Number of applications for Kela salaried employee pensions and other benefits by pension type 2020 and 2019

Type	2020 no.	2019 no.	Changes %
Old-age pension	157	162	-3,1
Partial early old-age pension	28	38	-26,3
Full disability pension	103	84	22,6
Partial disability pension	168	182	-7,7
Years of service pension	0	0	..
Survivors' pension	40	44	-9,1
Part-time pension	0	0	..
Other pension matters	0	0	..
Rehabilitation	73	60	21,7
Total	569	570	-0,2

Persons taking retirement

Number of persons taking retirement by pension type 2020

Pension type	Local government no.	State no.	Church no.	Kela no.
Old-age pension	8 725	3 384	361	127
Full disability pension	787	119	28	1
Full rehabilitation allowance	1 562	207	47	10
Partial disability pension	2 366	262	53	31
Total	13 440	3 972	489	169

Average age of persons taking retirement by pension type 2020

Pension type	Kunta-ala yr	Valtio yr	Kirkko yr	Kela yr
Old-age pension	64,4	63,3	64,6	64,9
Full disability pension (incl. years of service pension)	59,7	59,1	59,7	*
Full rehabilitation allowance	49,3	51,4	48,9	46,0
Partial disability pension	56,9	55,8	57,1	49,4
Total	61,1	62,1	62,0	60,8

GOVERNING BODIES 2020

Members of Keva's Council until 31 July 2020

Ordinary members

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Mr Harri Jokiranta, Seinäjoki

Deputy chair

Ms Maarit Ojavuo, Kajaani

Ms Diana Bergroth-Lampinen, Pori

Ms Christina Båssar, Korsnäs

Mr Toni Eklund, Turku

Ms Piia Flink-Liimatainen, Äänekoski

Ms Paula Himanen, Oulu

Mr Keijo Houhala, KTN ry

Ms Pirita Hyötylä, Kemi

Ms Paula Juka, Muhos

Mr Jarmo J. Husso, Oulu

Mr Jouni Kemppi, Lappeenranta

Mr Petri Lindroos, Negotiation Organisation
for Public Service Professionals (JUKO)

Mr Saku Linnamurto, Savonlinna

Ms Pia Lohikoski, Kerava

Ms Marja Lounasmaa, JAU ry

Mr Leo Lähde, Nokia

Mr Teemu Meronen, Helsinki

Mr Juhani Nummentalo, Salo

Personal deputies

Ms Pilvi Torsti, Helsinki

Ms Minna Harmaala, Asikkala

Mr Erkki Huupponen, Pieksämäki

Mr Christian Sjöstrand, Helsinki

Ms Liisa Terävä, Rautjärvi

Mr Tommy Björkskog, Naantali

Ms Tuija Mäkinen, Jyväskylä

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Ms Auli Mustikkamaa, Ylivieska

Mr Terho Korpikoski, Simo

Mr Ismo Pöllänen, Imatra

Ms Hanna Vuola, Laitila

Ms Leila Lehtomäki, Negotiation Organisation
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Mr Pekka Leskinen, Leppävirta

Ms Kati Tervo, Kemi

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Ms Anne Lindgren, Riihimäki

Mr Mikko Päivinen, Järvenpää

Mr Tero Rantanen, Järvenpää

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Ms Erja Laaksonen, Jämsänkoski

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Ms Emilia Syväsalmi, Eurajoki

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Ms Heini Liimatainen, Järvenpää

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Mr Petri Lindroos, Negotiation Organisation
for Public Service Professionals (JUKO)

Ms Anna Zibellini, Negotiation Organisation
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Ms Marja Isomäki

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Jouko Narikka

Ministry of Finance

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Mr Matti Keloharju

Mr Tuomo Mäki

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Ms Sisko Seppä

Working Life Development Group until 18 August 2020

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CEO of the HUS Joint Authority

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City of Jyväskylä

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Mr Tapio Ropponen

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Negotiation Organisation for Public Sector Professionals
(JUKO)

Ms Anne Sainila-Vaarno

KoHo ry

Mr Jukka Kauppala

Negotiation Organisation for Public Sector Professionals
(JUKO)

Working Group Secretary

Kati Korhonen-Yrjänheikki

Keva

Organisation 31 December 2020

Enabling Operations

CEO Mr Timo Kietäväinen

Compliance, Risk Management and Administration Unit
Administration Director Mr Markus Mankin

Legal Services Unit
Director of Legal Affairs Mr Jussi-Pekka Rantanen

Financial Planning Unit
Director of Finance Mr Allan Paldanius

Internal Audit
Head of Internal Audit Ms Päivi Alanko

Strategy and Development
Development Manager Mr Mikko Kenni

Communications, Stakeholder Cooperation and
Responsibility Unit
Communication Director Ms Reija Hyvärinen

Pensions and ICT

Deputy CEO Mr Kimmo Mikander

Customer Service Unit
Customer Service Director Ms Taina Uronen

Pensions Service Unit
Pensions Director Ms Eija Korhonen

Payment Service Unit
Pensions Director Ms Anneli Kajas-Pätäri

ICT Service Unit
IT Director Mr Tommi Heinonen

Employer and Work Ability

Deputy CEO Mr Tapani Hellstén

Digitality and Service Development Team
Service Manager Mr Toni Pekka

Employer CRM and Work Ability Management Unit
Employer CRM and Work Ability Director
Ms Kati Korhonen-Yrjänheikki

Work Ability Solutions Unit
Pensions Director Ms Merja Paananen

Insurance Medicine Unit
Director of Medical Affairs Ms Kirsi Karvala until 31
August 2020,
since 1 September the position has been held IATOD by
Ms Saija Turtiainen

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Investments

CIO Mr Ari Huotari

Equity Investments Unit

Investment Director, Equities Mr Jussi Karhunen

Direct Equity Investments Team

Deputy Director Mr Mikko Koskela

Direct Fixed Income Investments, Forex and

Derivatives Unit

Head of Internal Fixed Income, FX and Derivatives

Mr Fredrik Forssell

Alternative Investments Unit

Head of Alternative Investments Mr Markus Pauli

Real Estate Investment Unit

Head of Real Estate Investments Mr Carl-Henrik

Roselius

Investment Administration and Loans Unit

CIO Mr Ari Huotari IATOD

Loans team

Head of Loan Administration Mr Anssi Vesalainen

COO's remit

CIO's deputy

COO, Investments Ms Maaria Eriksson

Investment Strategy Unit

Head of Investment Strategy Mr Tommi Moilanen

Responsible Investment Research and Coordination Team

Deputy Director Ms Kirsi Keskitalo

External Fixed Income Investments Team

Deputy Director Ms Erika Tikka

Investment Reporting and Risk Management Unit

Deputy Director Ms Maija Sarlomo

Securities Administration Unit

Head of Securities Administration Ms Johanna

Haukkovaara

Financial and Operations Planning

CFO Mr Tom Kåla

Financial Unit

Financial Manager Mr Olli Pasanen

HR Unit

HR Director Mr Mika Gylén

Register and Pensions Payments Unit

Register and Pensions Payments Manager Ms Katri Tolonen

Internal Services Unit

Work Environment Manager Kristina Vuorela

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00087 KEVA
Phone 020 614 21