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## Keva's interim report for 1 January to 30 June 2021

### Keva reports strong result

**Keva, which is responsible for the funding of local government pensions and the investment of pension funds, reported a return of 9.3%, or EUR 5.4 billion in investments, for the first half of 2021. At the end of June, Keva's investments had a market value of EUR 63.3 billion, compared to EUR 53.2 billion a year earlier.**

Keva's investment operations generated a market value return of 9.3% for the first half of 2021.

Private equity investments (including unlisted equities) generated a return of 20.3%, listed equities 15.2% and hedge fund investments 9.9%. Real estate investments (including real estate funds) generated a return of 1.2% and fixed-income investments a return of 0.9%.

Keva CEO **Timo Kietäväinen** considers the investment performance for the first half the year to be very good, even though the collapse in the capital markets caused by the pandemic in spring last year makes it difficult to compare with a year ago. Strong stimulation by central banks and governments has lifted the valuation of listed equities in particular to very high levels. Among other things, the development of the pandemic and inflation will pose challenges to the market in the near future.

"The sum of wages and salaries of Keva's member organisation has shown considerable growth and has risen 5.6% since the start of the year compared to a year earlier. This has improved net income from financial operations. This is why we have not needed to tap the pension fund for the estimated amount to pay pensions," Kietäväinen notes.

Kietäväinen is pleased with the progress of reforms at Keva: pension decision-making functions have worked well, customer services have been improved together with customers, and both customer and stakeholder feedback has been at a good level, as has the vibe of the employees, which is measured weekly.

#### **Long-term return on investments at a good level**

Keva's long-term return on investments is still at a good level. The capital-weighted annual cumulative real return since the inception of funding in 1988 until the end of the report period was 4.4%. The non-capital weighted average real return over the same period was 5.5%. The real return over the past five years without capital weighting has been 6.5% and the real return over the past ten years 5.9%.

Listed equities and equity funds accounted for 40.6% of Keva's entire investment portfolio and fixed-income investments (including the impact of derivatives) for 34.6%. Of the smaller asset classes, private equity investments

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accounted for 13.0%, hedge funds for 6.1% and real estate investments for 5.8% of the portfolio.

Keva CIO **Ari Huotari** says that the investment market has largely advanced driven by a strong tailwind with central banks and other public organisations pumping in support.

"In reality, the challenges of high valuation levels created by strong public support have continued to grow. And still the fundamental problems of moving from a world of negative interest rates to a "normal" world, whatever that is, are largely awaiting solutions," Huotari reflects.

### **State, Church, Social Insurance Institution of Finland and Bank of Finland pensions**

Keva is Finland's largest earnings-related pension provider in Finland and is responsible for instituting pension cover in the public sector.

Contribution income amounted to €2.85 billion during the first half of the year and €2.94 billion in local government pensions was paid out over the same period. Some 550,000 persons had earnings-related pension insurance at the end of June.

€2.4 billion in State pensions, €110 million in Evangelical Lutheran Church pensions, €54 million in Social Insurance Institution of Finland (Kela) employee pensions and €14 million in Bank of Finland pensions were paid out during the first half of 2021. The State, Evangelical Lutheran Church, Kela and Bank of Finland pay their own pension expenditure and share of operating costs to Keva.

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The figures in this release are unaudited.

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## Market value profit and loss account - €m

	1-6/2021	1-6/2020	2020
Contribution income	2 853	2 686	5 459
Pension expenditure	-2 936	-2 846	-5 728
Net investment income*	5 434	-2 629	2 652
Net operating costs, depreciation, etc.	-37	-34	-74
<b>Market value income</b>	<b>5 314</b>	<b>-2 823</b>	<b>2 310</b>
Sum of wages and salaries of Keva member organisations	9 728	9 207	18 487

\* excluding investment operation costs

## Key figures 1-6/2021

	1-6/2021	1-6/2020	Change, %	2020
Pension and benefit decisions, local govt.	27 677	27 926	-0.9	52 850
Pension and benefit decisions, State	5 795	6 057	-4.3	1 886
Pension and benefit decisions, Church	926	959	-3.4	559
Pension and benefit decisions, Kela	322	298	8.1	
Pension and benefit decisions, Bank of Finland*	84			

	6/2021	6/2020	Change, %	2020
Pension recipients, local govt.	422 051	417 234	1.2	418 696
Pension recipients, State	239 357	244 560	-2.1	242 145
Pension recipients, Church	19 540	19 516	0.1	19 509
Pension recipients, Kela	5 968	5 957	0.2	5 958
Pension recipients, Bank of Finland*	1 407			

	6/2021	6/2020	Change, %	2020
No. of local govt. employees insured (est.)	550 000	522 000	5.4	541 000

\* Responsibility for instituting Bank of Finland pension cover transferred to Keva on 1 January 2021