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Keva's financial statement bulletin 2015:

## Reasonable return on Keva's investments

Keva, which is responsible for funding local government pensions and investing pension funds, recorded a 4.8% return on investments in 2015.

At year-end 2015, the pension liability fund amounted to €44.9 billion (€42.3 billion at year-end 2014). Contribution income under the local government pensions system amounted €5.0 billion and pension expenditure to €4.5 billion

Since the start of 2013, Keva has also collected state pension contributions. During 2015, contribution income under the state pension system amounted to around €1.7 billion. State pension contributions have no material impact on Keva's financial statements since the contributions are transferred to the State Pension Fund.

According to Keva's Acting CEO, Tapani Hellstén, Keva's investments yielded a good return under the circumstances.

“Keva's contribution income from main cash flows and pension expenditure developed as forecast last year. Pension processing efficiency was at an excellent level. Also our investments gave a fairly good return given the restlessness of the markets,” Hellstén reports.

### Reasonable return on investments

In 2015 Keva's total investment return at market value after expenses was 4.8% (8.7% in 2014). The capital-weighted, cumulative real return on investments since funding started in 1988 until year-end 2015 was 4.0% per annum. The cumulative real return on investments excluding capital weighting over the same period was 5.3%. In the Finnish pension sector, long-term returns are usually calculated excluding capital weighting. The five-year real return excluding capital weighting has been 4.8% and the ten-year return 3.5%.

Of the different asset classes, the best result was generated by private equity investments (19.2%), listed equities and equity funds (8.7%) and real estate investments (8.1%). Fixed-interest investments generated 0.4% and hedge and commodity investments returned a loss of 1.2%.

At year-end 2015, the market value at risk of Keva's investments totalled €44.2 billion. Fixed-income investments (including the impact of derivatives) accounted for

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44.4%, listed equities for 36.2%, real estate for 6.7%, private equity investments for 6.1% and hedge and commodities investments for 6.6% of the market value.

### **Moderate growth in local government contribution income**

At year-end 2015, some 522,000 employees, about the same number as a year earlier, were insured under the Local Government Pensions Act (KuEL). The local government payroll totalled €16.8 billion, which is 0.9% more than in 2014.

Local government contribution income rose 0.9% year on year and amounted to around €5.0 billion (€5.0 billion in 2014). Local government contribution income is made up of the employer's and employee's pay-based contributions, as well as of the employer's contributions based on pension expenditure and early retirement expenditure.

The value of the benefits that have accrued, which have not yet been paid out, in the local government pension system considerably exceeds the value of the pension liability fund. At year-end 2015, the value of these accrued benefits was estimated to have been around €105 billion, an increase of around €3 billion compared to year-end 2014.

### **Over €4 billion paid out in state pensions**

At year-end 2015, just under 150,000 people were insured under the State Employees' Pensions Act (VaEL). Keva paid out €4.4 billion in state pensions during the year, an increase of 2% on the previous year.

At year-end 2015, around 18,000 people were insured under the Evangelical-Lutheran Church Pensions Act (KiEL) Pension expenditure of the Evangelical-Lutheran Church amounted to around €180 million. Staff pension expenditure for employees of the Social Insurance Institution Kela amounted to around €93 million.

Each pension system is responsible for its own pension financing and for the investment of its funds. Keva is responsible for the funding of local government pensions and investing pension assets as well as for executing earnings-related pension matters within the entire public sector.

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**Keva's key figures for 2011-2015**

	2015	2014	2013	2012	2011
Local government payroll, €m	16 820	16 670	16 528	16 121	15 376
Local government contribution income, €m	5 013	4 971	4 890	4 696	4 406
Number of insured local government employees, 31 Dec.	522 000	523 000	523 000	521 000	515 000
Number of local government pension recipients, 31 Dec.	377 000	373 000	367 000	354 000	349 000
Local government pensions paid, €m	4 559	4 361	4 141	3 826	3 541
Investments at fair value at 31 Dec., €m	44 214	41 548	37 819	34 359	29 568
Return on investments at fair value, %	4.8%	8.7%	7.5%	12.9%	-1.7%
Annual real return on investments since start of funding in 1988 (capital weighted)	4.0%	4.0%	3.8%	3.7%	3.2%
Annual real return on investments since start of funding in 1988 (non-capital weighted)	5.3%	5.4%	5.3%	5.3%	5.1%
Operating costs, €m	81.5	94.2	94.6	89.8	8.4
Personnel (permanent), 31 Dec.	530	534	537	519	524
Number of state pension recipients, 31 Dec.	263 000	270 000	274 000	272 000	275 000
State pensions paid, €m **)	4 440	4 352	4 226	3 834	3 656
Number of Ev. Luth. Church pension recipients, 31 Dec.	18 400	18 400	18 100	17 300	
Ev. Luth. Church pensions paid, €m**)	180	176	166	170	
Number of Social Insurance Institution pension recipients, 31 Dec.	5 900	5 900	5 900	5 800	
Social Insurance Institution pensions paid, €m**)	93	91	86	82	

\*) Reviewed retroactively because of a change in information source.

\*\*) These payments have no effect on Keva's financial statements through profit and loss.

Keva has been statutorily in charge of implementing the state pension system for employee customers since the beginning of 2011, and for implementing the Evangelical Lutheran Church's and Social Insurance Institution of Finland's pension system since the beginning of 2012.

Since the start of 2013, Keva has handled the statutory tasks related to the state pension insurance matters of state employers and the contract-based collection of the Evangelical Lutheran Church's pension contributions.

Keva does not publish a printed annual report. Our financial statements and annual reports are published on our website at [www.keva.fi](http://www.keva.fi). The Report of the Board of Directors and Financial Statements will be available on our website in Finnish as of 9 March 2016, after being reviewed and approved by Keva's Council.

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The interim report for the first quarter of 2016 will be published during week 17.

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