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Keva's Interim Report 1 January – 30 June 2015:

## Keva's investments yielded a 6.6% return during H1/2015

Keva, which is responsible for the funding of local government pensions, the investment of pension assets and for looking after pension matters for the entire public sector, recorded a 6.6% return on investments, i.e. EUR 2.8 billion, for the first half of 2015. The figure for the same period last year was 4.8%. The market value of Keva's investments at the end of June 2015 was EUR 44.9 billion, compared to EUR 39.9 billion a year earlier.

During the first half of the year, contribution income totalled EUR 2.6 billion and EUR 2.3 billion was paid out in pensions under the Local Government Pensions Act. Around 524,000 employees were insured under the local government pension system at the end of June.

“Our investment performance for the first half of 2015 was good, especially when taking into account the volatile conditions on the capital markets during the second quarter. Pension expenditure under the local government pension system developed as forecast and contribution income exceeded that forecast to give a better than expected total result, and better than for the same period a year earlier,” reports CEO **Jukka Männistö**.

The return on investments at market value was 6.6% during January-June. Listed equities and equity funds yielded a return of 13.6%, fixed income investments 1.8% and real estate investments (including real estate funds) 3.5%. Among the other asset categories, private equity investments yielded a return of 8.6%, hedge funds 2.9% and commodity investments returned a loss 1.5%.

The market value of Keva's investments amounted to EUR 44.9 billion at the end of June 2015 (30 June 2014: EUR 39.9 billion). Fixed income investments (including the impact of derivatives) accounted for 44.2%, listed equities and equity funds for 36.5% and real estate investments for 6.3% of the entire investment portfolio. Private equity investments and unlisted equities accounted for 6.2%, hedge funds for 6.2% and commodity investments 0.6% of Keva's entire investment portfolio.

“The investment environment during the first quarter of the year, to be frank, was unrealistically favourable for investors. During the second quarter, the realities of life began to return to the markets – interest rates rose, shares were in retreat and news about the real economy and overall global situation gave rise to uncertainty in the markets. During the rest of the year, investors may well see more realities,” notes CIO **Ari Huotari**.

The local government pension system's payroll amounted to EUR 8.4 billion for the first half of the year. Contribution income was up by around 2% year on year at EUR

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2.6 billion. The number of local government pension recipients totalled around 373,000 at the end of June. During the first half of the year, a total of EUR 2.3 billion was paid in local government pensions, up 4% compared to a year earlier. Operating costs were down year on year. This was primarily attributable to a partial change in the way investment assets are managed.

### **Pensions of State, Church and Kela employees paid by KeVa**

KeVa is responsible for implementing pension security for almost the entire public sector. State pensions paid out during January-June amounted to EUR 2.2 billion, Evangelical Lutheran Church pensions to EUR 90 million and pensions to salaried employees of Kela – the Social Insurance Institution of Finland amounted to EUR 46 million. The State, Evangelical Church and Kela pay their respective pension expenditure as well as their share of operating costs to KeVa.

### **Retirement age and average pension**

During the first half of 2015, the retirement age in the local government sector remained more or less the same as in 2014: 64.2 years for men and 64 years for women. For state employees, the average retirement age was 63.7 years for men and 64.1 years for women. Unlike in the local government sector, women retire at a slightly older age than men in the state sector. The average retirement pension in the local government sector was EUR 2,489 for men and EUR 1,661 for women. The corresponding figures for state employees were EUR 3,058 for men and EUR 2,181 for women.

“The difference in the amount of pensions can be explained by the fact that there are more specialist jobs in the state sector, whereas there are many jobs requiring physical work in the local government sector,” explains Pensions Director **Eija Korhonen**.

Despite the recession, the number of applications for disability pensions has not increased and there has been a clear decline in the relative number of such pensions granted compared to 2008.

### **For further information, please contact**

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The six-month figures presented in this release are unaudited.

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**Market value profit and loss account, EURm**

	<b>1-6/2015</b>	<b>1-6/2014</b>	<b>Change</b>	<b>2014</b>
Contribution income	2,611	2,562	1.9%	5,171
Pension expenditure	-2,258	-2,165	4.3%	4,360
Net investment income	2,783	1,877	48.3%	3,376
Operating costs, depreciation, etc.	-37	-42	-11.9%	-83
Market-value result	3,099	2,232	38.8%	4,104

**Key figures**

	<b>1-6/2015</b>	<b>1-6/2014</b>	<b>Change</b>	<b>2014</b>
Number of local govt. pension decisions	27,009	25,929	4.2%	48,422
Number of State pension decisions	7,662	7,794	-1.7%	14,120
Number of Church pension decisions	975	1,012	-3.7%	1,868
Number of Kela pension decisions	268	245	9.4%	459
Number of local govt. pension recipients	373,438	367,068	1.7%	370,769
Number of State pension recipients	263,772	267,085	-1.2%	265,905
Number of Church pension recipients	18,223	18,006	1.2%	18,161
Number of Kela pension recipients	5,908	5,871	0.6%	5,883
Local government payroll	8,446	8,309	1.6%	16,670
Number of local government employees	524,000	524,200	0.0%	524,000
Market value of investments, €m	44,935	39,909	12.6%	41,548
Return on investments at market value	6.6%	4.8%		8.7%
Number of Keva's permanent employees	535	543	-1.5%	534