Public sector pensions

ANNUAL REPORT
2018

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CEO's review

For Finland, 2018 was a favourable year: the national product grew and there was a significant improvement in employment. Public finances showed good development, although local government finances weakened among other things because of exceptionally high tax refunds and refunds of excess tax prepayments made during the previous year.

The sum of wages and salaries of Keva member organisations rose more than forecast and was up 3.4% compared to the previous year. This meant that Keva's net income from financial operations weakened less than expected, but was still in negative territory at -EUR 178 million. Investment operations had a tough year and the value of investments was down 3%. Nevertheless, the long-term capital-weighted real return of 3.8% on investments remains among the best in the earnings-related pension sector.

Counties to become Keva member organisations

The year was a busy one for Keva. Besides our routine work, we were involved in many major projects shaping the future in the public sector.

Seen from the perspective of the whole of Finland and especially from that of Keva member organisations, the government's extensive regional government, health and social services reform is the largest overhaul of public administration in history. At the time of writing this review, the many stages of consideration of the reform by the Finnish parliament are finally drawing to an end. Although it seems unlikely that the reform will be adopted during the present term of government. If the proposed reform is implemented, it will significantly reshape the public sector and among other things add a new level of government, the counties, to Keva member organisations.

Even if the reform fails to proceed, the coming years are likely to see private providers account for a growing share of health and social services, particularly in the care sector. Likewise, it is clear that the responsibility for arranging healthcare and social welfare is likely to shift from individual municipalities to a broader organisation. In the same context, the entire healthcare and social welfare sector will continue to expand and require considerably more employees than at present.

Merger would strengthen the earnings-related pension system

Keva was involved in the work of an expert working group set up by the Ministry of Social Affairs and Health and the Ministry of Finance to look into the possibility of ending the differences in the local government and private sector pension systems in the earnings-related pension system and to assess the implications were the systems to be merged. The working group completed its study and submitted its report in February 2019.

The working group's unanimous proposal to merge the local government and private sector pension systems is a good basis for a massive reform of local government pensions. From the local government viewpoint, a particularly important point is that following any merger, pension contributions in the local government sector could, after a lengthy transition period, be brought into alignment with those in the private sector. According to the report, a merger would not impact pensions paid to retired people, pension contributions of persons at work or retired, pension accruals, pension indexes or retirement age.

There still remain many important issues for the next round of preparatory work and these require wide-ranging preparation and sufficient time for it. For Keva, it would be helpful if, already in the negotiations to form a new government taking place after the general election in spring, a political decision was made to initiate law drafting to merge the systems.

Under the same roof

Throughout 2018, Keva worked on its new strategy to reshape Keva into a more customer-driven and effective pensions provider than earlier by 2025. At the same time, work also continued on the Keva 2019 programme. Customer relationship management, use of digitalisation, the corporate culture, a clearer Keva brand and responsibility approach in particular have been improved under the programme.

As part of our corporate culture change, most Keva employees relocated during 2018 to work under the same roof in our renovated activity-based office premises in Unioninkatu in Helsinki. Renovation also improved the use of space in the building. Relocation to the same office building will be completed in spring 2019.

Study on occupational healthcare company continues

Public occupational healthcare is being transformed because, among other things, of health and social services reform. Municipal actors have asked Keva to explore the possibility of setting up a public sector occupational healthcare company serving the entire country. Keva, together with key municipalities and hospital districts, started to study this possibility in 2018.

Spring 2019 will see whether the study will result in a national occupational healthcare company serving local government employees. The goal is in particular to improve occupational healthcare effectiveness and thus reduce the annual costs of EUR 2 billion incurred in the local government sector through incapacity for work as well as to provide local government actors with a new option in the increasingly concentric occupational healthcare sector.

Timo Kietäväinen
CEO

Report of the Board of Directors 2018

Operating environment

A year of uncertainty is how 2018 can be described. The most important change in the operating environment as far as Keva member organisations are concerned is Prime Minister Juha Sipilä's government's regional government and health and social services reform. Implementation of the reform would significantly transform service provision and the personnel structure in the public sector. At the same time, the private sector's share of service provision is likely to expand.

At the time of writing this annual report, work on regional government and health and social services reform legislation was still under way and it was uncertain whether the legislation would be completed before the 2019 general election. If the Finnish Parliament has enough time to consider the legislation, regional government and health and social services reform will see the establishment of new counties, reform of the health and social services structure, services and funding as well as the transfer of new duties to the counties. In future, 18 autonomous counties would arrange all health and social services in their region. Following the reform, the counties, their service utilities and companies would become Keva member organisations. In addition, employees transferring from central government to the employment of the counties as a result of regional government and health and social services reform would transfer to Keva's pension system. Regional government and health and social services reform also includes a government proposal to clarify Keva's administrative and contribution structure.

Keva prepares for changes

If regional government and health and social services reform enters into force, it is expected to result in a major change in market shares in the health and social services market in which the market share of the private sector will expand and that of the public sector will contract. This could have major implications for the level of contributions to Keva's pension system. In preparation for this, a proposal has been reached for the introduction of a new transition payment, which would reduce the pressure to increase pension contributions in a contracting public pension system.

In 2018, there was strong speculation as to whether the Finnish Parliament, which ends its term of office in March 2019, would have time to complete consideration of the legislation required. Keva has prepared for both scenarios: approval of the legislative package and insufficient time to complete it.

A broad-based working group set up in 2017 to study the expedience and possibility to completely or partly remove the differences in local government and private sector pension systems submitted its report in February 2019.

Other major changes in the operating environment

In consequence of health and social services reform, Finnish hospital districts have begun to consider increasingly wider cooperation structures. A comprehensive report has been made both in Pirkanmaa and Lapland of cross-regional hospital activities and the legal form of activity these could take. The form of company and cooperative were an object of closer scrutiny in the report. The plans create some uncertainty in Keva's operating environment since cooperatives cannot be Keva member organisations.

At the municipalities' request, Keva has been involved in reflecting the future of municipal occupational healthcare. During the year, a study was carried out to explore setting up a company owned by municipal organisations and partly by Keva to be active on the occupational healthcare market. After looking at a number of different options, it seems that the creation of this type of occupational healthcare company in Finland is not on the cards for the time being. On the other hand, collaboration between municipalities, Keva and Helsinki and Uusimaa (HUS) Hospital District is leading to the creation of an occupational healthcare company that will provide occupational healthcare services on an in-house contract basis to owner organisations.

Incomes Register legislation was approved in January 2018 and entered into force on 1 January 2019. The Incomes Register is a national online database that contains information on individuals' wages, pensions and benefits. Earnings-related pension providers began using the Incomes Register at the start of 2019. Pensions and other benefits will be reported to the Incomes Register from 1 January 2020. Keva was closely involved in preparatory work to introduce the Incomes Register and will start using the system according to the agreed schedule.

Economic outlooked impacted by factors of uncertainty in global politics

Uncertainty created by global trade conflicts marked 2018. The United States' hard-line trade policy, renegotiations of trade agreements and the use of import tariffs as part of the country's aggressive trade policy darkened the skies of the global economy, which has certainly slowed over the past year.

The latest statistics and survey data indicate weaker than expected economic development in the euro area. Domestic demand continues to buoy economic growth in the area. The dispute between the European Commission and Italy on the course of that country's economic policy and the uncertainty surrounding Brexit have weakened the growth outlook in the euro area.

Finland's economic output rose in 2018 and GDP grew by 2.5%. At the same time, the debt-to-GDP ratio fell below the 60% mark. The Ministry of Finance expects Finland's economic growth to slow in the next few years despite faster than expected growth in employment in Finland in 2018. Following recent years of strong economic growth, Finland's exports were weaker than expected. A decline in housing investments is slowing domestic investment.

Employment improved, population projection caused concern

The Labour Force Survey published by Statistics Finland at the end of 2018 showed there to be 168,000 unemployed persons, 22,000 fewer than a year earlier. The numbers of the long-term unemployed remain high. There were 38,000 more employed persons and the employment rate at year-end had reached 72%.

Wage rises in 2018 were negotiated by sector and nominal earnings are estimated to have risen by 1.8%. The wages and salaries sum of the whole economy is predicted to have grown by 4.6% on the back of higher employment and nominal earnings. Inflation in 2018 was 1.1%.

Statistics Finland's new population projection published towards the end of the year gives cause for concern. The projection shows the number of deaths exceeding the number of births in Finland for the third year running. According to the population projection, the number of persons aged under 15 in Finland in 2035 would be the same as at the end of the 1870s, when the country had a population of less than two million.

Population ageing will exert considerable pressure on the long-term sustainability of general government finances because an increase in the elderly population will increase pension, healthcare and care expenditure. At the same time, the working-age population, whose taxes fund welfare services and social security, will contract.

Even though the government debt ratio is expected to continue to improve in the next few years, the trend in the population age structure will cast a large shadow over the development of the national economy. The long-term budgetary projections are in negative territory. The Ministry of Finance's estimate of the sustainability gap in Finland's national economy relative to GDP is about 4%.

The investment assets of the earnings-related pension system grew to all-time high in 2018. At the end of September, assets totalled EUR 204.7 billion, although declined during the last quarter of the year. Despite increased investment capital and increased pension contributions as a result of good cyclical conditions, the financial position of earnings-related pension providers is not improving. Earnings-related pension expenditure continues to rise briskly as the number of retired persons and average level of pension grow.

The good performance of local government finances in 2018 is likely to weaken during fiscal 2019. Municipal operating expenditure has grown faster than expected and tax revenue has dipped. Expenditure has risen among other things due to care and nursing costs driven by population ageing and a rise in earnings in the local government sector. Whereas a cut in child daycare fees has reduced revenue.

Changes in legislation

Data Protection Act increased the rights of data subjects

The most important changes in legislation in 2018 were the entry into force of the EU's General Data Protection Regulation (GDPR) and the approval of the national Data Protection Act related to the GDPR. The new Data Protection Act entered into force on 1 January 2019 and the GDPR and the Act regulate the processing of personal data. This legislation increased the obligations of the data controller with regard to the transparency and documentation of data processing and strengthened the rights of data subjects to their own data. During the course of its business, Keva processes an extensive amount of personal data, which includes sensitive information such as a person's state of health, for example.

During the year under review, the Government submitted a proposal to Parliament for an Act on Public Administration Information Management (Information Management Act) and for certain acts relating to it. The Information Management Act is a general act concerning information management, which would be extensively complied with in the activities of the authorities and would also largely apply to Keva. In addition, the Government submitted to Parliament a proposal for an Act on the Provision of Digital Services and to amend the Act on Electronic Services and Communication in the Public Sector, to implement the Accessibility Directive into national legislation.

Incomes Register launched

During the year under review, the pensions sector prepared for the introduction of the national Incomes Register. Amendments to the Employees Pensions Act and the Public Sector Pensions Act relating to the introduction of the Incomes Register were approved in December 2018. The Incomes Register was brought into use on 1 January 2019 and in future information about employment relationships and earnings will be available to Keva straight from the Incomes Register.

Earnings-related pension providers have been using information in the Incomes Register since the start of 2019. Pensions and other benefits will be reported to the Incomes Register from 1 January 2020.

Proposal to Parliament to reform Keva's administrative structure

Parliament continued to consider regional government and health and social services reform during 2018. Another extensive legislative package in regional government reform, the Government Proposal concerning legislation to implement regional government reform and to reorganise the state's permit, steering and supervisory duties (HE 14/2018 vp) was submitted in March. The legislative package included a proposal to reform Keva's administrative structure.

The reform would clarify the relationships and mandates between Keva's governing bodies. Under the proposal, the existing Council would be replaced by a revised body with Keva's Council members. It is proposed to amend the composition of the Council and the Board of Directors so that the regions and local government would be equally represented. In addition, a proposal has been made to add employer representation to Keva's administration so that the Local Government and County Employers KT, which is to be established to oversee the local government and counties' employers, would be represented in Keva's administration.

In addition, a proposal has been made to strengthen good corporate governance by adjusting the general governance requirements. The act would also include provisions on the electronic decision-making procedure in meetings of the Board of Directors and Council members.

Customer relationships and customers

At 31 December 2018, Keva had 1,980 employer customers (in the Annual Report 2017 the number of employer customers was 2,315, but the calculation method was revised in 2018 and overlaps were eliminated). Of Keva's customers, 1,066 were local government organisations, 635 State employers and 278 parishes or parish unions. Kela, the Social Security Institution of Finland, is also an employer customer.

Keva manages the earnings-related pension services of roughly 1.2 million public sector employees and pensioners. Approximately 685,000 of these are insured persons and 593,000 pension recipients.

Customer work addressed customer and service needs

Customer meetings related to customer relationship management were up almost 30% compared to 2017. Content quality of meetings, the value to customers and their number continues to grow. Keva organised 195 training events ordered by customers. These training events reached more than 10,000 employee and employer customers.

There were a total of around 100 other customer and collaboration events. Changing customer and service needs, rolling out the Key Data service for municipal customers and promotion of a networking way of working were addressed in our work with customers in 2018.

Employer customers, 31 December 2018	Number
Local government employer customers	1 066
Municipalities, towns and cities	311
Joint municipal authorities	139
Limited liability companies,	592
associations and foundations	20
Other local government organisations	4
State employer customers	635
Church organisations	278
Kela's employer customers	1
Total	1 980

Employee customers preferred online service

During 2018, 154,711 employee customers and 3,012 employer customers called Keva's advisory numbers. General pension advice was sought in 125,278 of the calls from employee customers while the rest concerned payment of pension. The number of telephone calls received was slightly down compared to the previous year. Keva started to use a new telephone and contact system in 2018. The system enables smoother customer service and allows increasingly more matters to be dealt with at the same time.

Keva's pension advisory service served around 400 customers who had made an appointment.

Online communication has established its position. During 2018, Keva's website had 1.6 million visits and the number of website users showed an increase of 9% on the year.

The online My Pension service for employee customers continues to grow in popularity. The service had 712,700 logins in 2018, up 8% on the year. A total of 25,956 enquiries were answered via the service, with 19,942 enquiries concerning general pension advice. As in earlier years, the website was Keva's most popular.

User satisfaction with the My Pension service improved and 84% of customers rated the service as excellent or good. In 2018, a start was made on developing the My Pension service with the aim of further improving the user friendliness and informativeness of the service.

Key Data service for local government employers

The online Key Data service for employers was introduced and marketed to local government organisations throughout the year. Employers can use the service to estimate and analyse work capacity management matters in their own organisation for example. So far, we have managed to include in the service EUR 7 billion of the EUR 17.4 billion sum of salaries and wages in the local government sector.

The employers' online service had 29,149 logins, down 9% compared to 2017.

During the year, an online service communications function for employers was rolled out through which they can manage communications with Keva about the pension insurance of their organisation and, among other things, send documents securely.

Customer feedback used to improve service

Keva collected customer feedback in three ways during 2018. Feedback was continuously collected in conjunction with communications taking place in different channels. Autumn 2018 saw a satisfaction survey carried out for employee and employer customers. In addition, customers were offered a chance to submit feedback spontaneously about any topic whatsoever through Keva's home pages.

Feedback collected from communication situations (online communications, telephone communications, Keva's events and customer meetings) were reviewed and used to improve service. Feedback was mostly very positive and, as in 2017, customers ranked 80-90% of meetings on average as good or extremely good. In addition, customers made excellent suggestions through spontaneous feedback and these were considered and implemented in various parts of Keva.

During the year under review, a customer satisfaction survey for employer customers was carried out for all Keva's stakeholders in conjunction with a reputation survey. The survey showed that 76% of employer customers judged Keva to have been very or extremely successful in its operations. This was an improvement on 2017. Customers considered Keva to be a reliable actor and to provide useful services. Customers also thought that Keva had developed its services. Research shows that customers would like to see among other things business intelligence services and active contact with customers.

As in earlier years, employee customer satisfaction was at an excellent level. Ratings have steadily improved in recent years and already more than 90% of customers receiving a pension decision rated Keva's operations as good or excellent. Customers commended the ease, promptness and friendliness of communication.

Contribution income

At the end of 2018, some 535,000 employees were insured under Keva member organisations' pension system. This was about 1.4% more than a year earlier. The total sum of wages and salaries of member organisations was EUR 17,410 million, EUR 566 million (3.4%) more than in 2017.

Contribution income rose 2.6%

Contribution income paid by Keva member organisations in 2018 totalled EUR 4,920 million (2017: EUR 4,793 million), which was 28.26% of the sum of wages and salaries (2017: 28.46%). Contribution income was up EUR 127 million (2.6%) compared to the previous year. Contribution income from Keva member organisations is made up of four parts: the employer's and employee's earnings-based contributions as well as employer's contributions based on pension expenditure and early retirement pension expenditure.

EUR 4,097 million were collected in earnings-based contributions, EUR 115 million or 2.9% more than in 2017. Employees contributed EUR 1,181 million and employers EUR 2,916 million. In 2018, the earnings-based contribution averaged 23.53% of salaries, i.e. 0.11 bp less than in 2017. The employers' contribution percentage contracted 0.3 bp and the employees' contribution percentage rose by an average of 0.19 bp. The contribution broke down in 2017 so that employees under the age of 53 and over the age of 62 were charged a contribution of 6.35%, employees aged 53-62 were charged 7.85% and employers were charged 16.75%.

Decrease in pension expenditure-based contribution

In accordance with the decision of Keva's Council, Keva charged EUR 653 million pension expenditure-based contributions to its member organisations, which equated to 3.75% of the sum of wages and salaries, a decrease of EUR 10 million or 1.5% compared to the previous year.

In accordance with the decision of the Council, Keva charged EUR 170 million in early retirement pension expenditure-based contributions, which equated to 0.98% of the sum of wages and salaries, an increase of EUR 21 million or 14% compared to the previous year.

Financial support is a benefit equivalent to group life insurance paid to the beneficiaries of a deceased local government officeholder or employee. At the end of 2018, 724 member organisations had arranged for financial support through Keva. Keva collected roughly EUR 4.8 million in financial support contributions in 2018, which is about EUR 0.2 million more than in the previous year.

Keva received some EUR 128 million, approximately EUR 43 million less than in 2017, in contribution income from the Unemployment Insurance Fund.

Keva is responsible for State and Church pension contributions

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

In 2018, Keva collected more than EUR 1.4 billion in pension contributions for the State and more than EUR 140 million in pension contributions for the Church. State and Evangelical-Lutheran Church contributions do not impact Keva's profit and loss account.

Contribution rates of Keva member organisations 2009–2018

Year	Employer's contribution rate				Employee's pension contribution, %		Average total
	Earnings-based contribution	Pension expenditure-based contribution	Early retirement-based expenditure contribution	Total			
2018	16.75	3.75	0.98	21.48	6.78	1)	28.26
2017	17.05	3.94	0.88	21.87	6.59	2)	28.46
2016	17.10	5.21	0.90	23.21	6.19	3)	29.40
2015	17.20	5.62	0.80	23.62	6.19	4)	29.81
2014	16.85	6.03	0.91	23.79	6.03	5)	29.82
2013	16.45	6.64	0.91	24.00	5.58	6)	29.58
2012	16.35	6.21	0.99	23.55	5.57	7)	29.12
2011	16.10	6.45	1.00	23.55	5.10	8)	28.65
2010	15.60	6.66	1.29	23.55	4.87	9)	28.42
2009	15.90	6.60	1.10	23.60	4.62	10)	28.22

1) 6.35% for people under 53 and 63 or over and 7.85% for people aged 53–62
2) 6.15% for people under 53 and 63 or over and 7.65% for people aged 53–62
3) 5.70% for people under 53 and 7.20% for people aged 53 or over
4) 5.55% for people under 53 and 7.20% for people aged 53 or over
5) 5.55% for people under 53 and 7.05% for people aged 53 or over
6) 5.15% for people under 53 and 6.50% for people aged 53 or over
7) 5.15% for people under 53 and 6.50% for people aged 53 or over
8) 4.70% for people under 53 and 6.00% for people aged 53 or over
9) 4.50% for people under 53 and 5.70% for people aged 53 or over
10)) 4.30% for people under 53 and 5.40% for people aged 53 or over

Pensions and benefits

Growth in numbers of disability pension applications

Keva achieved the target for processing times in all types of pension except for disability pension and rehabilitation applications. The surprising and substantial growth in these applications overwhelmed processing and prolonged processing times. This is why Keva drafted in more people to process discretionary benefits and stepped up automation in the handling process.

Priority in processing pension applications was given to applications from persons whose income had been discontinued or threatened to be discontinued. In a level of service measuring the continuity of income, Keva remained almost at as good a level as in 2017, even though more ambitious targets than earlier years were achieved only in the processing of state pensions. Customer satisfaction among the insured exceeded the target level.

Preparation for the Incomes Register resulted in a lot of work and changes to pension processing systems and processes. Because these changes affected the operations both of employer and employee customers, there was much communication in late autumn about the changes. A back-up plan was made for the processing of old-age pensions in the event that it was not possible to access the required information in time from employers through the Incomes Register.

The share of online applications again rose considerably in all pension types but a very challenging target was missed. Honing processes and ways of working with partners, employers and employee customers resulted in less use of paper.

Applications received and decisions issued

In 2018, Keva issued 70,259 decisions, of which 61,895 concerned actual pension matters, 8,038 were rehabilitation decisions and the remaining 328 concerned benefits such as financial support, etc. Of the 70,111 applications, 61,640 concerned actual pension matters.

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

The highest number of decisions by far concerned local government pensions: 55 302 decisions, or 78.7% of all decisions issued by Keva. Keva issued 12,447 decisions concerning State pensions, 1,984 decisions concerning Church pensions and 526 decisions concerning pensions for Kela's salaried employees.

Faster processing of old-age pensions

The service level indicator shows that 92.3% (92.8% in 2017) of decisions were issued on time. Processing times of old-age pensions and partial early old-age pensions were shorter compared to 2017. On the other hand, processing times of disability pension and rehabilitation applications were longer due to the rise in the number of applications.

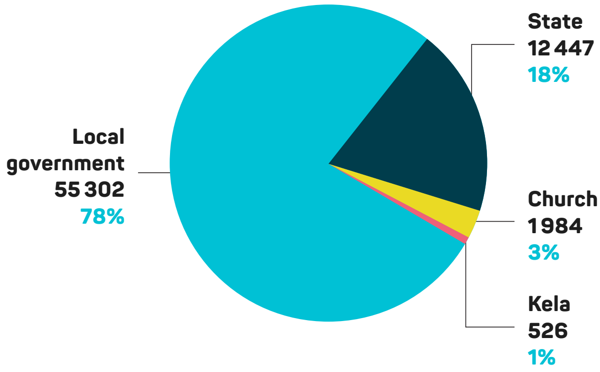
Keva processed old-age pensions in an average of 23 days and disability pensions in an average of 48 days. Processing times of partial early old-age pension applications were faster and decisions were issued in an average of eight days. Rehabilitation applications took an average of 17 days to process and survivors' pensions an average of 13 days.

Keva processed applications for all pension benefits 3-13 days faster than private pension providers on average.

Keva made 1.4% or 1,022 fewer decisions than in 2017. There was great variation between pension benefits. For example, 9.3% fewer old-age pensions were processed than in the previous year, whereas the number of full disability pension decisions and partial disability pension decisions rose by 7.6% and 11.3% respectively.

The decline in the number of old-age pension decisions is due to the 2017 pension reform and ensuing changes to the system. Changes made to information systems meant that a higher than normal share of applications arriving at the end of 2016 were not processed until 2017. This led to a rise in the number of old-age pension decisions in 2017. Besides this, as the lower age limit for old-age pensions rises, people are now applying for old-age pensions later than previously. Applications for old age pensions fell by 1.2% to 24,646 and 24,480 old age pension decisions were issued.

Decisions issued by Keva by pension system



Total processing time in days for pension applications

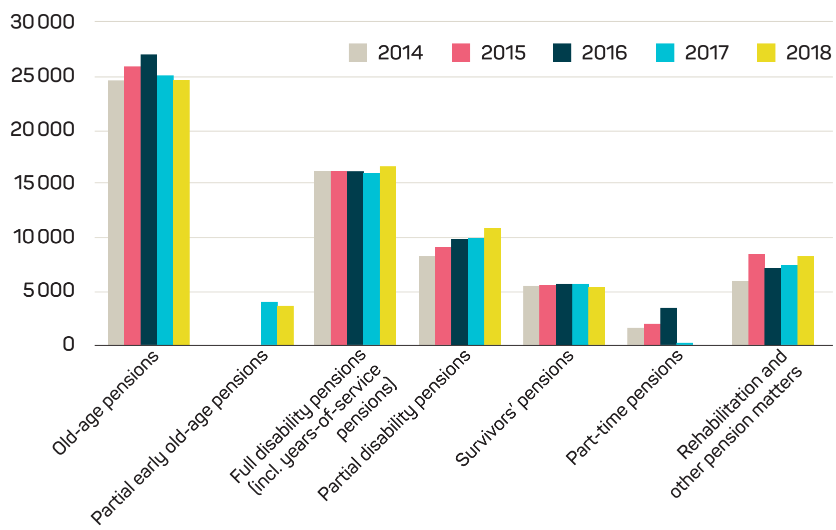
Pension benefit	2018	2017	Change, days	Private providers 2018
Old-age pension	23	26	–3	36
Partial early old-age pension	8	12	–4	12
Disability pension	48	43	5	52
Survivors' pension	13	13	0	21
Rehabilitation	17	13	4	20

Source: Finnish Centre for Pensions

Number of all decisions by pension benefit 2018 and 2017

Benefit	2018	2017	Change, %
Old-age pensions	24 480	26 985	–9,3
Partial old-age pensions	3 534	4 047	–12.7
Full disability pensions	17 090	15 876	7.6
of which new decisions	6 267	5 604	11.8
Partial disability pensions	11 005	9 891	11.3
of which new or preliminary decisions	4 405	3 932	12.0
Years-of-service pensions	9	2	350.0
Survivors' pensions	5 553	5 937	–6.5
Part-time pensions	222	1 024	–78.3
Other pension matters	328	319	2.8
Rehabilitation decisions	8 038	7 200	11.6
Total	70 259	71 281	–1.4

Number of pension applications received by Keva by pension benefit



Decline in popularity of partial old-age pensions

Under the 2017 pension reform, part-time pensions were discontinued and replaced by partial early old-age pensions. The number of partial early old-age pension decisions decreased by 12.7% between 2017 and 2018. In 2018, 3,534 partial early old-age pension decisions were issued, with 76.4% of these concerning a pension of 50% and the remainder a pension of 25% or on a scale between 25% and 50%.

The last new part-time pensions began in January 2017. In 2018, 222 decisions were made to suspend or cancel part-time pensions.

Another retirement option, years-of-service pension, ushered in by the 2017 pension reform has still failed to gain traction. In 2017, Keva issued nine years-of-service pension decisions, including preliminary decisions and decisions to pay. 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.

Growing number of disability pension decisions

There was a marked rise in the number of disability pensions, for which a total of 28,095 decisions were issued: full disability pension decisions were up 7.6% and partial disability pension decisions 11.3%. The increase in the number of applications, 27,607, received in 2018 was more modest: full disability pension applications were up 4.0% and partial disability pension applications 6.7% compared to 2017.

The number of applications started to rise already in 2017 and overwhelmed processing. This meant that decisions on some applications were not issued until 2018. The increase in disability pension applications centred on new applications for full disability pension. Applications for cash rehabilitation benefit or temporary disability pension in particular rose in 2018. Disability pension applications increased most in the over 60 years and under 45 years age groups. Particularly much work was done during the last few months of 2018 to tackle the rush in applications.

The number of rehabilitation decisions rose 11.6% to 8,038 decisions and the number of rehabilitation applications by roughly the same amount, 11.4% to 8,101 applications.

Keva made a total of 328 decisions concerning other pension matters in 2018. This was an increase of 2.8%. The number of survivors' pension decisions was down 6.5% to 5,533 decisions.

All in all, Keva received 70,111 pension applications, which was around 1.2% more than in 2017, and made roughly the same number of decisions, 70,259. A total of 41,905 decisions were made on new pension applications and 38,254 of these decisions were favourable.

The rejection rate for new disability pension applications was 23.8% (22.6% in 2017). The average rejection rate for new disability pension applications was 31.2% by private pension providers. The rejection rate in rehabilitation decisions was 16.5% (16.0% in 2017).

On-line application gaining traction

Online applications in 2018 rose to account for 41% (36% in 2017) of applications received. Last year, 67% (66% in 2017) of old-age pensions and 19% (10% in 2017) of all disability pension applications were made online.

Changes in the operating environment impacted application numbers

Keva estimates that the number of pension applications will remain high in the next few years if the number of persons insured for earnings-related pension in the public sector and the structure of this group remains unchanged.

No surprises in the volume of pension applications are anticipated on the basis of the age and occupation breakdown of persons currently insured, but as the lower age for old-age pension rises, people will apply for old age pension later than previously. Changes in the operating environment, in particular the regional government and health and social services reform, may have major implications for the number and structure of the insured and thus also for application volumes.

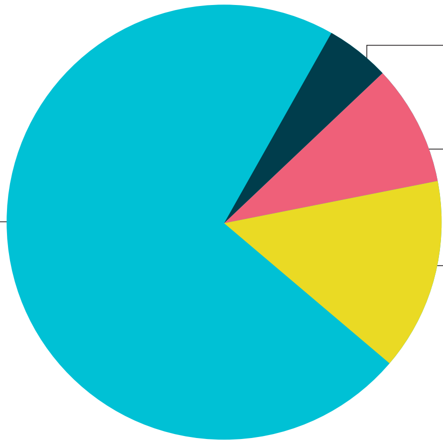
Pension decision rectification procedure

In 2018, Keva processed a total of 1,459 appeals filed with the Pension Appeal Board against its decisions in the 'self-rectification procedure'. Of these, 1,137 involved work capacity assessment. The rectification rate was 9.2% (13.4% in 2017) for all appeals and 8.9% (8.7% in 2017) for work capacity assessment. The remaining appeals were submitted to the Board for consideration.

In 2018, Keva also processed a total of 210 appeals filed with the Insurance Court against decisions issued by the Pension Appeal Board. Of these appeals, 176 concerned work capacity assessment and the rectification rate among these was 2.3% (4.0% in 2017).

The Pension Appeal Board revised 13.9% (11.7% in 2017) of all the deci-

Percentage of persons retiring by pension benefit in 2018



sions and 15.3% (13.3% in 2017) of decisions concerning disability pension issued by Keva that the Board considered. The Insurance Court revised 5.9% (15.3% in 2017) of Keva's decisions that had been appealed.

Persons retiring

In 2018, a total of 19,496 employees retired from the service of local government, the State, the Church and Kela. The average age of persons retiring was 0.1 year lower at 60.9 years than in 2017. This was because the percentage of persons retiring on an old-age pension decreased by 2.4 bp of all persons retiring in 2018. Old-age retirement accounted for 69.7% of all persons retiring and the average age of persons retiring on an old-age pension was 63.9 years (0.1 year older than in 2017).

Persons retiring on full disability pension (including cash rehabilitation benefits) did so at an average age of 52.5 years (0.6 years older than in 2017) and persons retiring on partial disability pension did so at an average age of 55.9 years (the same as in 2017). Also persons starting to receive a new partial disability pension are counted as having retired even though they continue to work alongside drawing a pension.

A total of 5,920 employees retired on disability pension, 3.2% more than in 2017. Musculoskeletal disorders were the most common reason for disability and accounted for 35.3% of primary disorders in persons retiring on a disability pension. Mental health disorders were the reason in 30.1% of cases of persons retiring on a disability pension. Compared with 2017, there was a slight increase in the percentage of mental health disorders and a slight decline in that of musculoskeletal disorders.

Slightly longer expected effective retirement age

Expected effective retirement age is the age at which employees currently aged 25 would on average retire if future retirement patterns remained exactly the same as in the year under review. The expected effective retirement age for a 25-year-old employee in local government service was 61.1 years (60.9 years in 2017) and 62.7 years in State service (excluding military personnel) (62.1 years in 2017)

Pensions paid

Total pension expenditure by Keva member organisations in 2018 was EUR 5,230 million, including financial support and rehabilitation expenditure, an increase of 225 million or 4.5% compared to 2017. At year-end, the number of pension recipients was roughly 406,000, around 2% more than a year earlier.

In 2018, Keva paid out EUR 4,675 million in State pensions, an increase of roughly EUR 78 million or just under 2% compared to 2017. At year-end, State pension recipients numbered approximately 252,000, a decrease of around 2% compared to a year earlier.

Keva paid out around EUR 204 million in Evangelical Lutheran Church pensions, an increase of around 4% compared to 2017. The corresponding pension expenditure on Kela's salaried employees was around EUR 102 million, an increase of some 3% compared to a year earlier.

The State, the 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, the advance was then adjusted against actual pension expenditure. This adjustment will result in Keva returning around EUR 27 million to the State and EUR 0.2 million to Kela for 2018. Keva will charge the Evangelical Lutheran Church an additional sum of around EUR 1.0 million. These items were recognised in the financial statements as adjustments to advance payments.

Working life services and support for continuing at work

Keva achieved the strategic targets set for continuing at work in the local government and State sectors. The percentage of persons retiring at the earliest age of 63 accounted for 61% of all persons retiring in the local government sector and 68% in the State sector. This was 1 and 3 bp respectively above target. The percentage of persons retiring on a partial disability pension accounted for 51% of all persons retiring on disability pension in the local government sector and 44% in the State sector. This was 6 and 4 bp respectively above target.

Services expanded to State employer customers

Keva's working life services provide effective strategic work capacity management services to employer customers to strengthen long-term work capacity and to prevent the work capacity risks from materialising. In 2018, work focused on developing working life services activities, the productisation of services, building digital services, employer customer support in preparation for local government, health and social services reform and preparations to provide the services at State employer customers.

The working life services operating model is being overhauled with the aim of more effective and efficient service production and focusing on the development of digital services. Starting at the beginning of 2019, Keva will offer the State similar strategic working life management services to those it provides to municipalities and the Evangelical Lutheran Church, except for working life development money. State employers continue to have access to Kaiku funding administered by the State Treasury and Ministry of Finance to promote occupational wellbeing.

Key Data service used in more than 200 organisations

Announced in February 2018, the Key Data online service helps to manage the costs of work disability. By the end of the year, 226 organisations had started to use the digital service, which covers 269,000 employee customers insured by Keva and a sum of wages and salaries of EUR 7 billion.

Keva conducted a workplace wellbeing survey for 20 employer customers. Eight of these surveys were in parish organisations and 12 in local government organisations. The survey provided support for organisations to carry out independent work to improve workplace wellbeing. Additionally, 2018 saw the development of a completely digital survey service, which will be gradually rolled out during 2019.

Keva made a start on deploying a digital learning environment, which will help us to offer all customers the possibility for independent training in work capacity support in work capacity management. The work capacity management path learning tool was piloted with customers. The test workshops aim to have the service up and running during 2019 to actually examine the progress of employee work capacity support and actors' collaboration.

Workplace wellbeing promotion grant for effective operations

Keva held a competition based on which EUR 400,000 in workplace wellbeing promotion grants was distributed between 16 employer customers. Workplace wellbeing promotion grants are intended for innovative and effective development operations in local government sector and Church workplaces to strengthen strategic work capacity management, proactive work to prevent the risk of work disability, increase workplace wellbeing and to promote productivity in the workplace.

"Public workplace wellbeing", "Strategic work capacity management and occupational health collaboration" and "Municipal leaders' workplace wellbeing" studies were carried out with partners. The findings of these studies were published in a seminar in December. The public sector workplace wellbeing study was the first time a study covered the entire public sector, which also included the Evangelical Lutheran Church and the State.

Keva implemented work capacity management and occupational healthcare collaboration consultation services and tailored workshops for 80 organisations. Keva's specialists facilitated a number of development networks where customers came together to develop activities to strengthen work capacity. Open workshops for all employers reached out to 130 organisations. Vocational rehabilitation and its processes are often a single concept in work capacity management and work capacity support workshops, development networks and coaching events.

Keva continued the management development project for supervisors and middle managers (EKJ) in cooperation with the Association of Finnish Local and Regional Authorities, Local Government Employees KT and FCG.

The annual Keva Day was held in March 2018 under the themes of changes in the public sector and finances, the implications of regional government and health and social services reform and the change and significance of work. The event was attended by almost 700 people.

Rehabilitation supported continuing to work

Regarding positive decisions given on the right to vocational rehabilitation, 43% were issued in conjunction with processing a disability pension matter and 57% were based on customer applications. The goal is for decisions to increasingly lead to rehabilitation. In 2018, 71% of decisions on rehabilitation interventions involved workplace work try-outs, investigational work try-outs or job coaching, 14% involved training and 14% assessment by the rehabilitation service provider.

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, persons whose pension application had been rejected are provided with information and guidance to assess their own situation, the possibility of returning to work and to explore their livelihood. Each year, around 20% of people taking part in the situational review return to working life.

Investment operations

There were no great expectations regarding investment returns in 2018. Interest rates were still at a very low level at the start of the year. The equity market has had a good run of many years since the financial crisis. The capital markets were concerned about global growth and the sustainability of that growth. There was also uncertainty surrounding political and partly even military stability in different parts of the world. In addition, concern about the trade war spreading resounded throughout the year. Whereas the first nine months of the year were very much uneventful, the situation completely changed during the fourth quarter.

Keva's 2018 investment year ended in clearly negative territory. A significant change took place in the capital markets during the last three months of the year when many parts of the markets saw sharp falls. Events towards the end of the year also had chaotic features, but since the end of the year the market situation has calmed down, at least for now.

Keva's investments EUR 50 billion

At year-end 2018, Keva's investments had a value of EUR 50,129 million.

Keva's investments according to the balance sheet structure had a market value of EUR 47,520 million at the beginning of 2018 and the balance sheet value of investment assets at the end of the year was EUR 47,498 million. The market value of invested capital used to calculate return includes not only investment assets but also transferred interest included in balance sheet receivables, the real estate and equipment in Keva's use, negative market values of derivatives as well as cash in hand and at banks included in other assets, the value of which totalled EUR 2,631 million. The breakdown of imputed returns is used to calculate the breakdown for each asset class.

Investments are divided into fixed interest, equity, real estate, private equity and hedge fund investments. Fixed income investments are loans, bonds and money market investments, fixed income and forex fund investments as well as interest accruing on the aforementioned items and cash in hand and at banks. Equity investments comprise investments in listed equities and units in mutual funds. Private equity and infra funds, unlisted equities and investments in the shares and holdings of subsidiaries and associated companies are reported as private equity investments. Real estate investments include investment properties and loans receivable from real estate companies. Hedge fund investments shown under other investments are reported as a separate entity.

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.

Private equity investments showed best performance

Of the different asset classes, private equity investments (16.5%), unlisted equities (13.5%) and real estate investments (7.0%) performed best. Hedge funds generated 0.3% and returns from fixed income investments retreated into negative territory (–1.6%). Listed equities performed worst (–10.4%) of the asset classes.

At year-end 2018, the risk-appropriate market value of Keva's investments was as follows: fixed income investments (including the impact of derivatives) accounted for 42.1%, listed equities for 34.4%, private equity investments (including unlisted equities) for 9.3%, hedge fund investments 7.6% and real estate for 6.6%.

After costs, the total return on Keva's investments at market value was –3% in 2018. The cumulative capital-weighted real return on investments since funding started in 1988 to year-end 2018 was 3.8% a year. The real average return, excluding capital weighting, over the same period was 5.1%. The five-year nominal return without capital weighting has been 5.0% and the real return 4.4%. The ten-year nominal return without capital weighting has been 7.4% and the real return 6.1%.

Fixed income investments

The year in the fixed-income market again began with interest rates at very low levels. The European Central Bank and US Federal Reserve continued to pursue divergent paths during the course of 2018. The European Central Bank had to accept the patchy economic situation in the euro area, nor was the bank able to drum up capabilities to act in the likely event of worsening economic trends. In the United States, the Fed continued to tighten its monetary policy and gained slightly more tools to deal with a weaker economic cycle.

Keva's investments in bonds and fixed-income funds had a market value of EUR 17,250 million at year-end 2018. The market value return on bonds was –2.0%.

Loans, excluding those granted to Keva companies, totalled EUR 156 million at year-end 2018. The loan portfolio decreased by EUR 160 million during the year and the market value return on these loans was 0.7%.

Other money market instruments and deposits totalled EUR 3,450 million at year-end 2018.

A total of EUR 161 million in interest income was booked for the fixed-income portfolios. The market value return on fixed-income investments was –1.6%.

Equity investments

For equities, 2018 was very reasonable until the autumn, after which many markets simply collapsed and market fluctuations were very big.

The MSCI index (EUR), which illustrates the average performance of the world's equities, showed a 2018 year-end performance of –4.4%, compared to 7.6% a year earlier. Measured by the Stoxx 600 index, the return on European equities was –10.8% (2017: 12.5%). The return on Asian equities (MSCI Asia-Pacific) was –9.4% (15.7%).

At the end of 2018, the total market value of Keva's listed equity investments was EUR 17,749 million. Dividends received from equity investments totalled EUR 109 million. The market value return on listed equity investments was -10.4%.

Real estate investments

Keva's real estate portfolio consists of direct investments in Finnish and Nordic real estate and real estate shares. The portfolio also includes investments in real estate investment funds in Finland and abroad, which currently account for 24% of real estate investments.

Keva developed its directly-hold portfolio by investing diversely in residential, office, shopping centre and hotel properties, for example. Keva began to diversify the geographical distribution of its real estate portfolio into other Nordic countries in 2015, starting with Sweden, and followed by investments in Denmark in 2017.

The year-end market value of real estate and real estate shares was EUR 3,313 million, of which real estate funds accounted for EUR 794 million and traditional loans in real estate companies accounted for EUR 195 million. In addition, Keva had EUR 43 million in real estate investments in properties in Keva's own use, but these are not included in investment operations.

Investment commitments made in Finnish and foreign real estate funds totalled EUR 2,449 million, of which undrawn commitments amounted to EUR 956 million. The market value return on real estate funds was 11.2%.

At year-end 2018, the 130 real estate companies owned by Keva had a total lettable area of around 850,000 m2. There were 4,200 leases in place generating a net rental income of EUR 95.6 million. The market value return on direct real estate investments was 5.6%.

The market return value on all real estate investments was 7.0%.

Private equity and hedge fund investments

The private equity investment landscape continued to be quite good in 2018, whereas the hedge fund landscape deteriorated significantly, especially during the last few months of the year.

At the end of the year, Keva's private equity investments had a market value of EUR 4,669 million, of which investments in unlisted companies accounted for EUR 580 million. Investment commitments made to private equity investments in equity funds and as a silent partner totalled EUR 9,709 million at year end, with undrawn commitments accounting for EUR 4,059 million. The market-value return on private equity investments (excl. unlisted equities) was 16.5% and the return on unlisted equities was 13.5%.

Investments in hedge funds had a market value totalling EUR 3,811 million at year end and the market value return on the funds was 0.3%.

Board of Directors overhauled steering of investment operations in 2017

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.

The Board of Directors considerably revised Keva's steering of investment operations in 2017. This was the

Investments at fair value 31 December 2018

	€m	%
Fixed income investments	20,856	41.6%
Equity investments	17,479	34.9%
Real estate investments	3,313	6.6%
Private equity investments	4,669	9.3%
Hedge funds	3,811	7.6%
Total	50,129	100%

Investments by currency at fair value 31 December 2018

	€m	%
EUR	24,000	47.9%
USD	22,159	44.2%
JPY	1,813	3.6%
GBP	691	1.4%
SEK	310	0.6%
CHF	258	0.5%
Other	898	1.8%
Total	50,129	100%

Investments by geographical distribution at fair value 31 December 2018

	€m	%
Europe (excl. Finland)	16,357	32.6%
North America	14,771	29.5%
Finland	9,148	18.2%
Emerging markets	7,500	15.0%
Japan	1,813	3.6%
Others	540	1.1%
Total	50,129	100%

first time that Keva's Board of Directors approved Keva's investment beliefs. These describe the general starting points, irrespective of time and situation on which our investment strategy 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 approved the current investment beliefs on 24 May 2017 and the investment strategy on 15 June 2017. Implementation of the strategy continues until 2020–2022.

Responsible investing an integrated part of investment operations

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

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. To supplement its own approaches, Keva also uses data from external service providers specialising in assessing responsible investing.

Subsidiaries and associated companies

At year-end 2018, Keva owned in whole or in part a total of 127 Finnish real estate companies, one less than a year earlier. Keva owned 106 real estate companies in full and had a majority holding in 10 others. There were six associated companies (holding of 20–50%) and five real estate companies in which Keva had a smaller holding.

In addition to Finnish real estate companies, Keva had a 49% holding in a real estate company set up in Sweden and a 100% holding in a Danish company. These companies manage real estate investments in those countries.

Besides real estate companies, Keva held the entire share capital of 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 2018 the fund stood at EUR 50,493 million, which was EUR 1,768 million or 3.4% lower 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 the benefits that have accrued in Keva member organisations' pension system, but which have not yet been paid out, clearly exceeds the value of the pension liability fund. The net present value of the accrued benefits was estimated to have been EUR 120 billion at year-end 2017. The estimate is approximately EUR 3 billion higher than the earlier estimate owing to among other things, the introduction of new register materials and the mortality rate as well as revisions made to calculation.

During 2018, the value of the accrued benefits grew by EUR 3 billion to EUR 123 billion. Since the pension liability fund decreased in value at the same time, the net present value of unfunded benefits increased by EUR 5 billion during the year.

The present value of accrued benefits is estimated 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 2018 totalled EUR 81.2 million, which is EUR 1.0 million or 1.3% lower than in 2017.

The largest individual cost item was personnel costs, which were EUR 38.8 million, which was EUR 0.4 million or 1.0% less than in 2017. Other operating costs were EUR 36.1 million, down EUR 0.8 million or 2.2% compared to 2017.

Keva received reimbursements totalling EUR 18.1 million (2017: EUR 18.7 million) for operating costs and depreciation for managing the pension provision of Keva member organisations. Of this reimbursement, the State paid around EUR 15.1 million, the Evangelical Lutheran Church around EUR 1.9 million and the Social Insurance Institution of Finland (Kela) EUR 0.5 million.

Lower operating costs

Keva's net operating costs, including reimbursements, reflect the costs of implementing local government pensions. In 2018, operating costs were EUR 63.1 million, which was EUR 0.4 million or 0.7% lower than in the previous year.

When examined by function, the gross costs of pension operations were EUR 45.4 million, down 3.4% on the figure a year earlier. Taking into account the reimbursements received, the costs of pension operations contracted 2.8%.

The costs of investment operations were EUR 17.0 million or 1.7% lower than in 2017. No reimbursements were allocated to investment operations. Gross operating costs for administration were EUR 18.8 million, up 4.9% than a year earlier. Taking into account the reimbursements received, the operating costs for administration rose 5.9%.

Replacement of the pensions payment system continues

Capital expenditure on IT software and hardware was EUR 9.5 million, EUR 7.1 million more than a year earlier. The most significant IT expenditure (EUR 3.8 million) was on replacing the pensions payment system and this work will continue until 2020.

EUR 1.1 million was spent on the pension payment calculation system. EUR 6.6 million was spent on improvements to Keva's office building in Unioninkatu and renovation investments will continue during 2019.

Higher depreciation according to the plan

Depreciation according to the plan in 2018 was EUR 6.3 million, EUR 0.2 million higher than in 2017.

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 7.7 million, EUR 0.5 million less than in 2017. Around EUR 2 million of these costs were paid by the State, the Evangelical Lutheran Church and Kela.

Keva received EUR 19.5 million, EUR 0.8 million less than in 2017, in reimbursements for operating costs from State, the Evangelical Lutheran Church and Kela.

Administration

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

The Council was chaired by Mr Harri Jokiranta, a project manager from Seinäjoki and the Deputy Chair was Ms Maarit Ojavuo, an IT specialist and MP's personal assistant from Kajaani.

The Council convened three times in 2018. The attendance rate of the Council's ordinary members was 89% and 93% when deputy members are included. Council members are paid an attendance fee of EUR 400 for meetings, in addition to which the chair and deputy chair are paid an annual fee of EUR 9,000 and EUR 8,000 respectively. Council members were paid total attendance fees of EUR 49,825.

Change of Board chairperson

Keva's administration is the responsibility of the Board of Directors, which the Council elects for a two-year term of office. In its meeting of 8 September 2017, the new Council appointed for the term of office 2017–2021 did not elect a new Board of Directors. Under the Act on Keva, the term of office of the Board of Directors continues until a new Board is elected.

Professor of Practice Ms Anna-Kaisa Ikonen, Mayor of Tampere, chaired the Board of Directors until 13 June 2018, when she was succeeded by Ms Minna Arve, Mayor of Turku. Mr Kari Nenonen, Mayor of Vantaa, served as deputy chair. Other members of the Board were Ms Heini Jalkanen, Business Director; Ms Sallamaari Muhonen, communications consultant, until 7 March 2018 and Heli Järvinen from 7 March 2018; Mr Harri Virta, managing director; Mr Raimo Vistbacka LLM; Mr Markus Lohi, Member of the Finnish Parliament; Mr Risto Kangas, Director at the Negotiation Organisation for Public Sector Professionals (JUKO); and Ms Päivi Niemi-Laine, Chief Executive Officer at the Union of Local Government Employees.

The Board of Directors convened 12 times during the year. The attendance rate of ordinary members was 90% and 97% when deputy members are included. The Council's chair and deputy chair also have the right to attend and speak at Board of Directors' meetings. Board members receive an attendance fee of EUR 400 for meetings, in addition to which the chair receives an annual fee of EUR 18,000, the deputy chair a fee of EUR 10,000 and members receive a fee of EUR 8,000. Board members were paid total attendance fees of EUR 49,800.

Term of office of advisory committees continues

In addition to the Council and Board of Directors, Keva's statutory bodies include the Investment Advisory Committee, whose 10 members are appointed by the Board of Directors for its term of office. The Investment Advisory Committee includes representatives of municipal negotiating organisations, the Ministry of Finance and the Ministry of Employment and the Economy. Mr Seppo Juntti, Financial Director, chaired the Investment Advisory Committee and Ms Terttu Savolainen, Director of the Regional Administrative Agency of Northern Finland, served as deputy chair. The Investment Advisory Committee did not convene in 2018.

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

Management Group met 37 times

Mr Timo Kietäväinen MScSocSc served as Keva's CEO and Mr Tapani Hellstén and Mr Kimmo Mikander served as deputy CEOs. Mr Hellstén's primary remit is pensions and working life services, while Mr Mikander is responsible for customer relations and services.

The CEO is supported in managing Keva by the Management Group, which meets on a regular basis. The Management Group prepares matters for submission to the Board and considers also other issues central to the management and planning of operations. The Management Group met 37 times during the year.

The Management Group was chaired by CEO Timo Kietäväinen and its members were deputy CEOs Tapani Hellstén and Kimmo Mikander, CIO Ari Huotari, CFO Tom Kåla, IT Director Tomi Heinonen, HR Director Mika Gylén, Communication Director Reija Hyvärinen and staff representative, shop steward Pasi Lehto until 13 May 2018 and shop steward Leila Ahlström from 13 May 2018. Compliance officer Markus Mankin served as secretary to the Management Group.

Personnel

At year-end 2018, Keva employed 537 people (2017: 538),of whom 22 were temporary. Women accounted for around 69% of Keva's personnel and the average employee age was 49.9 years (2017: 49.7). There were 26 permanent employees who left Keva in 2018.

Development of working environment in corporate culture project

Corporate culture was developed in 2018 as one of the projects in Keva's strategic intent 2019 programme. Progress was made particularly in the following sub-areas of the project:

- Manager training sought to increase the empowering and coaching approach to supervisory work. At the start of coaching, the persons being coached underwent 360 assessment. After this, joint days were held for all manager, coaching linked to themes as well as group network meetings for managers.
- Keva employees were involved in developing the working environment and, for example, activity based practices were developed together. The renovated premises in Keva's office building are being brought into use one floor at a time and work on the entire building will be completed in 2019.
- The bonus system was overhauled and will be rolled out in 2019 when bonuses are distributed. The bonus is based on achieving Keva's KPIs and assessment of individual performance. The uniformity of performance assessment was improved and calculation developed.
- The scoring working group evaluated job requirements and the evaluations were used in collective agreement negotiations to target the local organisation increment.

The corporate culture development project also worked on IT management, HR planning, HR management processes and working life skills. The project has employed the project management approach, with persons from different functions taking part. A growing number of Keva employees have taken part in the development project, the open and empowering approach of which is part of the cultural change. This has been reflected in, for example, employee commitment to projects in the programme and in the talents of the personnel that have emerged.

Development plans based on employee survey

The results of the employee survey conducted in 2017 were processed in early 2018 and, based on the results, the units and teams drew up development plans. A new employee survey was carried out at the end of the year. In addition to the employee survey, employees' working and wellbeing was gauged weekly by the Kevafiilis survey.

In 2018, the personnel were provided with a wide range of different training and coaching. Service design competence and manager coaching in particular were addressed. In addition, training was arranged in project management, agile development and test automation. Coaching relating to online communication was also held during the year. All Keva employees received training relating to the content of EU General Data Protection Regulation.

As in earlier years, performance appraisals set personal objectives for Keva employees. A new tool to evaluate performance was used to assess achievement of the previous year's objectives.

Keva supports its employees' work capacity

Terveystalo took over as Keva's occupational health care services provider in 2016 and during 2018 collaboration had developed to a good level.

A workplace survey was carried out during the year in the Financing and Finance function. Workplace surveys will continue one function at a time in coming years.

Employee sickness absence fell during 2018 and was about 5% lower than in the previous year. In the same context, occupational healthcare costs were more than 10% lower compared to the previous year.

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

Keva people involved in strategy work

Keva made a number of organisational changes and job reorganisations which involved the appropriate employer/employee negotiations.

Strategy work began at the start of 2018 and the personnel were involved in assessing future changes in the operating environment and in strategy workshops. Work will continue in 2019.

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

Mutual interaction of the personnel has also been increased by activating Yammer discussions and by holding brief info and discussion events dealing with different themes.

IT management

Keva's focus in 2018 was on developing digital and automated services. The first robotic process automation was harnessed to improve operating efficiency. Besides this, test automation using the O365 tool automation was launched as well as the automation of in-house tools. During the year, work also continued on developing system automation.

AI and data hotels improve data use efficiency

Keva is experimenting with the use of AI to interpret medical certificates in pension processing. A study on the automation of customer service also got under way during 2018.

Keva launched a data hotel and reporting development project in a bid to automate report writing, data transfer between different systems and other work stages currently done by hand.

Looking ahead, data hotels planned for a uniform cloud-based platform will enable data to be more widely and easily used for analyses and for business development. The development of data hotels supports the master data management project to collect the master data of Keva's customers on one database from where they would be centrally available by different systems.

Online services for employee and employer customers

The Key Data service for employers was announced in February 2018. Key Data is a digital online service intended to manage work disability costs. At year-end 2018, 226 organisations had signed up for the service. The sum of wages and salaries of these organisations is EUR 7 billion and they employ 269,000 employee customers insured by Keva.

A workplace wellbeing survey was built into Key Data to support organisations to independently develop the workplace wellbeing of their personnel. Additionally, a digital survey service was developed for Key Data and a start was made on implementing a digital learning environment.

Keva improved the user-friendliness and availability of the My Pension service and the features of the communications service. Changes required by the introduction of the national Incomes Register were also made to the service.

Resources in 2018 centred on developing pension system performance and reliability.

System changes required by the Incomes Register rolled out as planned

The national Incomes Register impacted shared services in the earnings-related pension sector and in particular the receipt and processing of information required in making pension decisions. Income Register changes entered production as planned at the turn of 2018–2019.

Following the Incomes Register and Keva's changes in Keva's contribution structure, the new Massi IT system, which collects pension contributions, was introduced at the beginning of 2019. In the same context, Keva worked with customers to upgrade the online pension contribution service for employers.

Work continued on the new pension payments system development project (Emma) during 2018. Emma will replace the old system, which has come to the end of its lifecycle, and include features to allow greater automated processing and better customer service.

Electronic transfer of patient documents as well as transfer of information between stages in appeal and actors in the earnings-related pension sector was rolled out. This resulted in changes to Keva's pension processing system and data merging. The electronic exchange of pension information between EU states began under EESSI and work on this will continue until summer 2019.

During 2018, Keva began to use an agile development business model in chosen areas of development. In addition, a start was made during the year on a project to modernise Keva's server environment.

Internal control

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

Risk management

Risk management linked to strategy work

The focus in the development of risk management in 2018 was in closely linking the risk management process to the various stages of preparation of Keva's new strategy. Strengthening risk management awareness, continuing the rollout of the risk management process at various levels of the organisation as well as maintaining and developing systems support in the risk management process were continuous areas of development.

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 principles and processes as well as the guidelines supplementing these. The main focus areas included the secure use and classification of data in cloud services, centralised log management and the security of online and digital services. The ways of working and processes required by the EU's GDPR were introduced. In addition, Keva continued to develop data systems complying with data protection and data security requirements. Data security and data protection risks were also raised in personnel training.

In risk management in Investment Operations, work continued on developing risk reporting as well as operating processes in the investment operations control and monitoring system together with the development of structures.

Management Group approved contingency plans

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

Most significant risk relating to successful execution of the strategy

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

Keva estimates the biggest strategic risk to be Keva's new strategy and failure to put the implementation programmes executing it into practice. The risk is that Keva may not be able to reform in accordance with its objectives and may not succeed in influencing its stakeholder groups and improving its competitiveness as an earning-related pension insurer.

Large risks were also assessed as relating to Keva's ability to create and utilise competitive partner and service networks to provide quality services to customers. If Keva is unable to respond to growing customer expectations to use networks to generate added value for customers, this will lead to challenges in customer retention and the success of acquiring new customers.

Keva considers a major strategic risk also to be that long-term returns on investments could fail to reach the target level set in the investment strategy. The financial and investment environment is challenging and the target level is determined on the basis of the funding situation in the pension system at any given time. The cumulative capital-weighted, annual long-term real return on investments between 1988 and 2018 was 3.8%.

Reorganisation of public services will entail major risks for Keva. Changes have already long been under way; services are being outsourced and the incorporation trend is strengthening group-like structures. Growth in the market shares of private and third sector actors will have implications for the stability of funding earnings-related pensions. When studying the differences in pension systems, the working group has agreed on a transition payment, which would somewhat moderate the pressure to increase contributions arising from changes in market shares between the private and third sectors. This impact would only be temporary because changes in market shares will continue after the transition period, that is post 2025. It is also uncertain whether the Act on Transition Payment would be adopted in autumn 2019.

Keva considers ability to compete for employer customers, maintain customer satisfaction of employee customers and to build the trust of the legislature, authorities and labour market parties in Keva to be medium-sized risks.

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

Market and liquidity risks more important than earlier

The fluctuation in market values is a short-term investment risk. This risk can be measured by the Value at Risk figure (VaR). The VaR figure for Keva's investments calculated on the basis of monthly returns during a two-year period was EUR 992 million at year-end 2018. This 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 2017 was EUR 632 million. The VaR figure has risen slightly since the annual volatility has increased (2018: 3.8%) when compared to 2017 (3.4%).

At year-end 2017, Keva's contribution income no longer covered all pension expenditure. The importance of long and short-term liquidity in the investment portfolio has become more important than earlier as pension expenditure continues to grow and net income from operations is negative.

Compliance

Compliance strengthens a responsible corporate culture

Keva has an independent Compliance unit which provides support to management and the entire organisation in ensuring compliance with good governance and the external and internal rules steering operations.

The Board of Directors has approved 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 trust 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 2018, the Compliance unit prepared matters relating to the overhaul of Keva's administration. These matters included proposals for Keva's risk values and for a Board of Directors' risk management and audit committee. The unit was involved in tracking and impact assessments of key legislative projects affecting Keva and its operating environment. The unit was also involved in cascading down Keva's Code of Conduct. Investment operations established compliance in everyday activities and in developing operations processes in investment.

Insider guidelines

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

Internal audit

The Board of Directors adopted the internal audit plan

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

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

Outlook

The outlook in the global economy has weakened since spring 2017 and growth in world trade has slowed. Nevertheless, confidence in the economy remains quite strong but growth will slow if protectionist measures become more widespread and uncertainty pushes back investments. Weaker than expected global economic development will have major implications for Finland, which is heavily dependent on world trade.

The Finnish economy will grow more slowly in 2019 than over the two previous years and considerably more slowly than before the financial crisis triggered in 2008. In the medium to long term, growth will remain below 1%, which is slower than potential production growth. Growth in labour productivity remains considerably slower that at the start of the millennium when labour productivity grew at an average rate of 2.5% a year. Other key factors impacting Finland's economy and employment include skills mismatch in the labour market, a budding labour shortage and the complex impacts of climate change.

Challenges facing sustainability of the earnings-related pension system

General government finances will begin to gradually weaken in the early 2020s as economic growth slows. At the same time, public expenditure will rise as the population ages. The long-term sustainability of general government finances is not certain and the Bank of Finland's recent estimate is of a sustainability gap of around 3% of GDP.

The employment rate and wages development are of key importance to the long-term sustainability of general government finances and the earnings-related pension system. Growth in labour input increases potential production growth in 2019 and also slightly during the following two years. After this, labour input will begin to contract as the working age population continues to fall. High structural unemployment also restricts growth in labour input.

Finland's population growth is increasingly dependent on net immigration. A fall in the birth rate to a record low level as indicated by the recent population projection will create pressure to increase pension contributions in the long term. At the same time, increasing uncertainty in the investment environment will make it difficult to achieve the realistic 3.5% long-term return sought on pension assets.

Digitalisation is already transforming working life and the impact will gather pace: the Ministry of Economic Affairs and Employment estimated in 2018 that AI would replace around 15% of jobs by 2030 and considerably change the character of many jobs. Preparations are needed to retrain a million workers in Finland. On the other hand, advanced application of AI will create many entirely new jobs and occupations.

Finland's future will be determined by development of the population structure and by urbanisation. The assumption is that regional differences will continue growing. This will have a major impact also on arranging public services across the country.

Merging earnings-related pension systems requires transition period

On 12 June 2017, the Ministry of Social Affairs and Health and Ministry of Finance set up a joint working group to look into the possibility of ending the differences in the local government and private sector pension systems in the earnings-related pension system and to assess the implications were the systems to be merged. The working group was set up based on an entry in the retirement settlement made in November 2014. The time allowed for the working group to study the differences in the pension systems was extended to 15 February 2019 and the working group submitted its report on 19 February 2019.

Keva was involved in this extensive study as a member of the working group. The group's report suggests that it would be both possible and appropriate to merge the pension systems. The report proposes 15 conditions for the merger and describes how the merger should take place. Additionally, the working group listed issues to be considered looking ahead. Some of these issues are rather difficult to resolve.

Following the merger, private sector and local government employees would be insured in the same pension system under the Employees Pensions Act. This would allow also local government employers, after the transition period, to arrange their statutory pension security either with an earnings-related pension insurance company, an industry-wide pension fund or a company pension fund. Pension providers could similarly compete for employers' statutory pension insurance across sector boundaries. Merging the systems would not change the status of the persons insured or their pension benefits.

Keva has had a constructive approach to the work of the working group since structural changes in service provision could have major implications for funding the pension systems. If the funding bases are merged correctly, this would strengthen the sustainability of the entire earnings-related pension system and, after the transition period, harmonise the pension contributions included in the labour price in different sectors. Merger would not impact the level of pension security of the persons insured or the pension rights earned. Work does not end with the working group's report and many key issues remain to be resolved in further preparations.

Regardless of the regional government and health and social services reform, the rules applying to Keva's payment contribution structure and administration need to be overhauled. The legislative proposals concerning this are under consideration by Parliament as part of regional government and health and social services reform.

Keva to become a more customer driven and effective earnings-related pension expert

Throughout 2018, Keva worked on its new strategy to reshape Keva into a more customer-driven and effective pensions provider than earlier by 2025. The Board of Directors adopted the strategy in March 2019.

Keva also continued work under the Keva 2019 strategic intent programme started in 2016. Customer relationship management, use of digitalisation, the corporate culture, a clearer Keva brand and responsibility approach in particular have been improved under these programmes. Some of the projects have already ended and others will end as planned during 2019.

Keva must reform to ensure that the earnings-related pension insurer is able to face the changes taking place in the operating environment. Some of the challenges are shared by the entire earnings-related pension system. Changing customer expectations, geographical labour mobility, integration of industrial ecosystems, deepening digitalisation and especially the possible merger of the earnings-related pension systems are driving the biggest change and reform at Keva.

Keva seeks to continue to be a strong and active player as a provider of pension security and as a customer partner in working life. When drawing up the new strategy, Keva recognised the importance of excellent customer experience, the opportunities of digitalisation and of creating partnerships and networks.

Appendix: pension system-specific charts

Total pension application processing time (days) and service level 2018

Pension benefit	Local government	State	Church	Kela	Private providers
Old-age pensions	24	20	21	21	36
Partial early old-age pensions	8	8	9	3	12
Disability pensions	48	49	49	41	52
Survivors' pensions	13	14	11	6	21
Rehabilitation promises	17	16	17	115	20
Service level	91.9	94.0	91.0	95.7	..

Source for processing times: Finnish Centre for Pensions

Application rejection rates 2018

Application	Local government	State	Church	Kela	Private providers
New disability pension	24.0%	20.7%	26.7%	26.3%	31.2%
Rehabilitation	16.4%	16.0%	18.3%	33.3%	22.8%

Pension decision rectification procedure 2018

Self-rectified by Keva	Local government	State	Church	Kela
Number of appeals against Keva's decisions	1 158	236	38	10
Rectification rate of all appeals, %	9.5%	6.8%	18.4%	10.0%
Number of appeals concerning work capacity assessment	957	144	26	10
Rectification rate of appeals concerning work capacity assessment, %	9.0%	6.3%	19.2%	10.0%
Number of appeals against decisions of the Pension Appeal Board	160	41	2	2
Rectification rate of all appeals, %	3.1%	0.0%	0.0%	0.0%
Number of appeals concerning work capacity assessment	145	29	2	0
Rectification rate of appeals concerning work capacity assessment, %	2.8%	0.0%	0.0%	0.0%

Number of decisions on local government pensions and other benefits 2018 and 2017

Benefit	2018	2017	Change, %
Old-age pensions	17 827	19 489	–8.5
Partial early old-age pensions	2 764	3067	–9.9
Full disability pensions	14 682	13 536	8.5
of which new decisions	5 401	4 772	13.2
Partial disability pensions	9 546	8 600	11.0
of which new or preliminary decisions	3 815	3 422	11.5
Years-of-service pensions	7	2	250.0
Survivors' pensions	2 844	3 011	–5.5
Part-time pensions	165	732	–77.5
Other pension matters	313	306	2.3
Rehabilitation decisions	7 154	6 380	12.1
Total	55 302	55 123	0.3

Number of decisions on State pensions and other benefits 2018 and 2017

Benefit	2018	2017	Change, %
Old-age pensions	5 708	6 462	–11.7
Partial early old-age pensions	661	832	–20.6
Full disability pensions	1 794	1 782	0.7
of which new decisions	635	649	–2.2
Partial disability pensions	1 069	970	10.2
of which new or preliminary decisions	435	371	17.3
Years-of-service pensions	2	0	..
Survivors' pensions	2 520	2 718	–7.3
Part-time pensions	54	261	–79.3
Other pension matters	15	12	25.0
Rehabilitation decisions	624	597	4.5
Total	12 447	13 634	–8.7

Number of decisions on Church pensions and other benefits 2018 and 2017

Benefit	2018	2017	Change, %
Old-age pensions	804	851	–5.5
Partial early old-age pensions	84	108	–22.2
Full disability pensions	534	485	10.1
of which new decisions	215	164	31.1
Partial disability pensions	213	188	13.3
of which new or preliminary decisions	82	85	–3.5
Years-of-service pensions	0	0	..
Survivors' pensions	159	184	–13.6
Part-time pensions	2	26	–92.3
Other pension matters	0	1	..
Rehabilitation decisions	188	165	13.9
Total	1 984	2 008	–1.2

Number of decisions on Kela salaried employee pensions and other benefits 2018 and 2017

Benefit	2018	2017	Change, %
Old-age pensions	141	183	–23.0
Partial early old-age pensions	25	40	–37.5
Full disability pensions	80	73	9.6
of which new decisions	16	19	–15.8
Partial disability pensions	177	133	33.1
of which new or preliminary decisions	73	54	35.2
Years-of-service pensions	0	0	..
Survivors' pensions	30	24	25.0
Part-time pensions	1	5	–80.0
Other pension matters	0	0	..
Rehabilitation decisions	72	58	24.1
Total	526	516	1.9

Number of applications for local government pensions and other benefits 2018 and 2017

Benefit	2018	2017	Change, %
Old-age pensions	17 989	18 021	–0.2
Partial early old-age pensions	2 819	3 154	–10.6
Full disability pensions	14 405	13 721	5.0
Partial disability pensions	9 416	8 827	6.7
Years-of-service pensions	9	4	125.0
Survivors' pensions	2 837	3 002	–5.5
Part-time pensions	160	281	–43.1
Other pension matters	352	338	4.1
Rehabilitation decisions	7 222	6 434	12.2
Total	55 209	53 782	2.7

Number of applications for State pensions and other benefits 2018 and 2017

Benefit	2018	2017	Change, %
Old-age pensions	5 707	5 999	–4.9
Partial early old-age pensions	681	842	–19.1
Full disability pensions	1 750	1 809	–3.3
Partial disability pensions	1 054	998	5.6
Years-of-service pensions	2	0	..
Survivors' pensions	2 520	2 705	–6.8
Part-time pensions	52	95	–45.3
Other pension matters	18	13	38.5
Rehabilitation decisions	616	610	1.0
Total	12 400	13 071	–5.1

Number of applications for Church pensions and other benefits by pension benefit 2018 and 2017

Benefit	2018	2017	Change, %
Old-age pensions	812	766	6.0
Partial early old-age pensions	86	117	–26.5
Full disability pensions	530	497	6.6
Partial disability pensions	213	201	6.0
Years-of-service pensions	0	0	..
Survivors' pensions	157	180	–12.8
Part-time pensions	2	11	–81.8
Other pension matters	0	0	..
Rehabilitation decisions	191	164	16.5
Total	1 991	1 936	2.8

Number of applications for Kela salaried employee pensions and other benefits by pension benefit 2018 and 2017

Benefit	2018	2017	Change, %
Old-age pensions	138	164	–15.9
Partial early old-age pensions	30	38	–21.1
Full disability pensions	71	82	–13.4
Partial disability pensions	168	144	16.7
Years-of-service pensions	0	0	..
Survivors' pensions	31	23	34.8
Part-time pensions	1	1	0.0
Other pension matters	0	0	..
Rehabilitation decisions	72	64	12.5
Total	511	516	–1.0

Number of persons taking retirement by pension benefit 2018

Pension benefit	Local government	State	Church	Kela
Old-age pension	9 280	3 758	434	104
Full disability pension	823	136	34	3
Full rehabilitation allowance	1 687	208	63	4
Partial disability pension	2 606	267	45	44
Total	14 396	4 369	576	155

Average age of persons taking retirement by pension benefit 2018

Pension benefit	Local government	State	Church	Kela
Old-age pension	64.2	63.0	64.4	64.7
Full disability pension	58.9	59.5	58.4	*
Full rehabilitation allowance	48.9	51.3	49.7	*
Partial disability pension	55.9	56.0	54.7	55.0
Total	60.6	61.9	61.7	61.1

Governing bodies 2018

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Deputy chair Ms Maarit Ojavuo, Kajaani	Ms Minna Harmaala, Asikkala
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Mr Jouni Kemppi, Lappeenranta	Ms Hanna Vuola, Laitila
Mr Petri Lindroos, Negotiation Organisation for Public Sector Professionals (JUKO)	Ms Leila Lehtomäki, Negotiation Organisation for Public Sector Professionals (JUKO)
Mr Saku Linnamurto, Savonlinna	Mr Pekka Leskinen, Leppävirta
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Ms Marja Lounasmaa, Union of Local Government Employees	Mr Keijo Karhumaa, Union of Local Government Employees
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Keva's Board of Directors

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From 13 June 2018 Ms Minna Arve, Turku	Ms Saija Äikäs, Espoo
Deputy chair Mr Kari Nenonen, Vantaa	Ms Tarja Filatov, Hämeenlinna
Ms Heini Jalkanen, Naantali	Mr Juha Kuisma, Lempäälä
Mr Risto Kangas, Negotiation Organisation for Public Sector Professionals (JUKO)	Ms Anne Sainila-Vaarno, KoHo ry

Until 7 March 2018 Ms Sallamaari Muhonen, Helsinki	Mr Hannu Kokko, Vantaa
From 7 March 2018 Ms Heli Järvinen, Savonlinna	Mr Tuomas Viskari, Helsinki
Ms Päivi Niemi-Laine, Union of Local Government Employees	Mr Rauno Vesivalo, KoHo ry
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Investment Advisory Committee 1 January 2015-

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Working Life Development Working Group 2018

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Working Group Secretary
Ms Kati Korhonen-Yrjänheikki
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Organisation 31 December 2018

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Head of Internal Audit Ms Päivi Alanko

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HR Unit HR Director Mr Mika Gylén

Communications and Stakeholder Co-operation Unit
Communication Director Ms Reija Hyvärinen

CRM and Services

Deputy CEO Mr Kimmo Mikander

CRM Unit
Customer Service Director Ms Taina Uronen

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Information Technology Director Mr Tommi Heinonen

Internal Services Unit
Work Environment Manager Ms Kristina Vuorela

Legal Affairs Unit
Director of Legal Affairs Ms Karoliina Kiuru

Pension and Working Life Services

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Pensions Unit
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Working Life Services Unit
Working Life Services Director
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Pensions Director
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Head of Securities Administration
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