Public sector pensions

ANNUAL REPORT
2017

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CEO's review

The year 2017 was a year of changes at Keva. The pension reform became effective at the start of the year and we coped well with the changes this entailed. We introduced new e-services, extended telephone service times and reformed Keva's organisation. The health, social services and regional government reform was a topic of debate among Keva employees and society at large. Keva made progress with its strategic programme to enact reform at Keva by 2019, investment operations and all Keva's other functions reported good results. Our customers and employees gave us good feedback in satisfaction surveys.

Health and social services reform is likely to increase the private sector's market share in public services. This will have implications for the funding of pension systems. A working group of officials set up to temper the impacts of health, social services and regional government reform unanimously proposed transition payments for a fixed-term of seven years to partly ease pressures caused by market changes to increase contributions to the system under the Act on Keva. A government proposal on transition payments is expected to come before Parliament already in spring 2018. Preparations were also made during 2017 to amend the Act on Keva and if the amendments are passed, they will among other things mean changes in the composition of Keva's bodies and their relative powers.

In summer 2016, Keva initiated reform projects which were promoted under the name Keva 2019 strategic intent programmes. Some of the aims of the programmes have already been achieved, some of the programmes and the projects under them will continue. The most important improvements can be seen in particular in the development of our online and traditional customer service, and in Keva's new brand. We currently work out of three offices and are now transforming the Keva building into a multi-activity environment, where all Keva employees will work. Keva will reform in many ways by the end of 2019, but the changes will also continue beyond then.

In June 2017, Keva's Board of Directors approved Keva's investment strategy and preparations are currently underway for its implementation. The aim is to ensure good long-term returns on Keva's investments and thus to safeguard reasonable contributions for member organisations in a highly challenging investment landscape. Keva's Board of Directors also approved the principles outlining Keva's responsible investment beliefs.

In 2017, Keva's contribution income received was for the first time lower than the amount of pensions paid out. This difference will grow quite quickly in coming years. This is why the pension system under the Act on Keva will increasingly be required to use returns on investments and in future also equity to fund pensions. This does not come as a surprise and preparations have been made for this since 1988, when funding began. Since then, returns on investment operations have totalled EUR 32 billion, which is greater than the amount of pensions paid out. The fund holds EUR 20 billion in pension contributions.

Keva is the largest earnings-related pension provider in Finland, both in terms of private customers and in investment assets. Measured in terms of operations processes, our pension application processing times are among the best in the sector. Feedback given by our employer and private customers is at a very high level. Keva's long-term returns on investments are among the best in class compared to other earnings-related pension insurers given the average risk level. At the start of 2018, Keva had responsibility for investment assets in excess of EUR 52 billion.

I would like to thank all our customers and partners for good cooperation and Keva employees for their contribution in making 2017 such a successful year.

Wishing you all every success in 2018.

Timo Kietäväinen
CEO

Report of the Board of Directors 2017

Operating environment

Keva's operating environment in 2017 was particularly interesting. The key aspect regarding the future of Keva member organisations' pensions system is Prime Minister Juha Sipilä's government's health, social services and regional government reform, which when implemented at the start of 2020 will significantly change service provision and the personnel structure in the public sector. In the same context, it is likely that the public sector's share of service provision will gradually increase. The draft bill for the Freedom of Choice Act concerning customers' freedom to choose their health and social services provider was very much debated in public and changes were made to the proposal after having been circulated for comments.

The health, social services and regional government reform will establish new counties and reform the structure, services and funding of health and social services as well as transfer new duties to the counties. The reform is due to enter into force on 1 January 2020. The biggest change will be the organisation of public administration on a three-tier level, central government, counties and local government. Existing regional divisions will be used as a basis to divide the country into autonomous counties. In future, Finland will have 18 counties, each of which will organise all public healthcare and social services in their area.

Other duties will also be transferred to the counties from Centres for Economic Development, Regional State Administrative Agencies, Regional Councils and other joint municipal authorities and municipalities. Once these functions have been transferred from almost 190 different designated authorities to just 18 counties, this will significantly reduce the number of joint statutory organisations, namely different local authorities and healthcare and social welfare providers. Central government will have primary responsibility for funding the counties. The existing multi-channel financial resourcing will be made simpler and people will have greater freedom of choice in social and health services.

The counties will be responsible for ensuring that residents receive the services they need and that the services of different providers form a smooth-running, well-functioning system. The idea is that the counties would pay compensation for the customers they treat and the counties would receive their funding from central government.

Unincorporated county enterprises can grant their customers health and social services vouchers which customers can then use to buy an agreed service from another service provider. Customers of services for older persons and persons with disabilities and who have an extensive and long-term need for assistance could be granted a personal budget. They could use the personal budget to obtain services that best suit their individual situation. The compensation to service providers would take into account factors, such as age and morbidity, affecting customers' need for services. This means that the counties would pay a higher compensation for customers who are older or more ill. Part of the funding could also be based on performance.

The Government proposal on health, social services and regional government reform (HE 15/2017 vp) has proposed that the counties and their service utilities become members of Keva and that these companies could apply to become Keva member organisations on the same terms as companies under local government control. In addition, employees transferring from central government to the employment of counties as a result of health, social services and regional government reform would be covered by Keva member organisations' pension system if service centre companies do not insure them under the Employees Pension Act (TyEL) system.

It is not yet possible to adequately assess the impact of the health, social services and regional government reform on the funding base and level of contributions of Keva member organisations' pension system because the draft legislation on citizens' freedom of choice has just been published at the time of publishing this annual report and elements, such as the scope of services provided to customers through health and social services vouchers, contained in the draft have yet to be analysed.

It is clear that almost half of the persons insured by Keva will have a new employer at the start of 2020. It is believed a major change in market shares will take place 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. Should a new employer be covered under the private-sector TyEL system or the volume of services provided by the counties contract in some other way, it is clear that this will have a major impact on the payroll of Keva member organisations. This change in payroll will inevitably also affect the level of contributions to Keva member organisations' pension system.

As market shares change, earnings related pensions actors in the contracting sector, i.e. Keva member organisations' pension system, will immediately lose the pension contribution income of those employees transferring, but pension expenditure will decrease substantially more slowly. Because most of the pensions of persons retired will continue to be paid by employees and their employers, a contraction in employee numbers in one sector will inevitably add to the pressure to increase employer pension contributions.

Keva raised the question of pension contributions and after two working group stages, a unanimous proposal was reached for the introduction of a new transition payment. This will slightly reduce the pressure to increase pension contributions in a contracting pension system. According to the working group's proposal, the growing system would pay the contracting pension system a transition payment of 4.6% for a transition period of seven years.

Government proposal HE 15/2017 vp also includes a proposal to amend the Act on Keva. Among other things, this would entail redesigning and simplifying Keva's pension contribution structure. This new pension contribution structure would treat annual work done in all member organisations with the TyEL system neutrally. Only municipalities and counties pay equalisation payments. In addition, transition payment arrangements would, to a certain extent, offset payroll transfers between different pension systems. It is clear, however, that health, social services and regional government reform, and especially the principle of citizens' freedom to choose, currently constitute the most significant factor of uncertainty regarding the funding of Keva member organisations' pension system.

As part of preparations for health, social services and regional government reform, it was separately decided to review the possibility of merging the private-sector and local government pension systems. A broad-based working group was set up in May 2017 to look into the distinct character of the pension systems. The working group has already started its work and is scheduled to submit its report in June 2018. The working group's mandate is to ascertain whether it is expedient and possible to completely or partly do away with separate local government and private sector pension systems.

If the working group decides that it is not expedient to merge the systems, it must submit a proposal on any permanent or interim measures. Preparations must assess the impacts of the solution on arranging pension provision and any financial implications for public finances and especially local government finances, impacts on employees, employers and the local government and private sector pension schemes.

Economic outlook strengthened in 2017

The global economy is showing broad growth, with strengthened economic outlook particularly in the euro area. Faster economic growth has also resulted in an upturn in world trade, which is now clearly outperforming global GDP growth. The ratio between world trade growth and global GDP growth is greater than in recent years, but still lower than during the previous decade.

The economic outlook for 2017-2019 is comparatively favourable. In 2017, Finland's GDP is forecast to have grown by as much as 3%. Strong economic growth will continue across the euro area and extend steadily to different sectors and different countries. GDP growth is buoyed by private consumption, investment growth and exports, which benefit from global economy recovery. The most recent survey and statistics data confirm the notion of a strong growth trajectory. Also the world economy continues to show steady growth and recovery would seem to be unifying in different parts of the world.

After a year of strong growth in 2017, Finland's economic growth is likely to slow to around 2%. Looking ahead, the economy will be buoyed by foreign trade and domestic demand. Companies' improved profitability and highly favourable financing conditions will continue to drive corporate investments.

The Ministry of Finance estimates that export growth will level off in line with the growth in world trade and that the impact supporting net exports is likely to decline. The slowing growth in disposable real income limits household consumer demand. Also growth in private investments slowed, but investments rose to more than 19% in relation to gross national product for the first time in several years.

Collective agreements in autumn 2017 and spring 2018 will see wage rises pick up in 2018 and 2019. Unit labour costs will rise, but more moderately than those of competitors. This means further improvement in the competitiveness of Finnish manufacturing. Work productivity is growing faster than it has done for years. A favourable business cycle is increasing employment as unemployment falls. The employment rate is likely to approach 71% in 2019.

The Competitiveness Pact will reduce employer's health insurance contributions during 2017-2020 and public sector holiday pay is being cut by 30% during 2017-2019. This cut impacted local government finances already in 2016.

Public finance deficits will shrink and indebtedness will slow. However, the deficits will not disappear during the upswing and good economic growth will not solve the problems in public finances. Structural factors mean that unemployment will remain fairly high, which is why labour market subsidy expenditure funded by municipalities will decrease very slowly. In addition, the change in the population age structure will increase the need for nursing and care services, which will in turn add to pressure on public expenditure. Also growing immigration has increased demand for services provided by municipalities. Results for the financial year in public finances are expected to weaken from 2018 on the back of modest growth in tax revenues and cuts in government aid.

Changes in legislation

Becoming a Keva member organisation

A provision was added to the Act on Keva whereby universities of applied sciences in the form of limited liability companies that are member organisations of Keva have the right to remain member organisations of Keva until the end of 2025 irrespective of any changes taking place in the ownership of a university in the form of a limited liability company.

This amendment was made against a background of the structural development of universities of applied science whereby ownership of universities of applied science transfers from municipal owners to universities. If the Act had not been amended, the owners of the universities or the companies that control them would have been unable to manage their pension insurances with Keva. The schedule of the working group tasked with reviewing the transition period of pension systems in the health and social services reform was complied with during the validity of the Act.

Act on Family Pensions Granted on the Basis of a Supplementary Artist's Pension

The Act on Family Pensions Granted on the Basis of a Supplementary Artist's Pension was passed in autumn 2017and entered into force at the beginning of 2018. The Act transfers the granting of family pensions from the Ministry of Education and Culture to Keva. Around 15 applications for a family pension granted on the basis of a supplementary artist's pension are made each year.

Legislation concerning the incomes register

The Government Proposal for an Act on the Incomes Information System was submitted to parliament in autumn 2017 and the Act was passed in January 2018. The plan is to introduce the incomes register on 1 January 2019.

The incomes register is a national electronic database which will include a comprehensive range of information on pay, pension and benefit data at an individual level. Employers and other data providers will submit information about earnings to the incomes register in real time and for each payment. Pension providers will use the incomes register from the beginning of 2019. Pensions and other benefits will be submitted to the incomes register starting on 1 January 2020.

Customer relationships and customers

At 31 December 2017, Keva had 2,315 employer customers: 1,060 local government organisations, 963 State organisations and 291 parishes or parish unions. Kela, the Social Security Institution of Finland, is also an employer customer of Keva.

Keva manages the earnings-related pension services of roughly 1.2 million public sector employees and pensioners: approximately 665,000 insured persons and 587,000 pension recipients.

Keva's customer managers had around 390 meetings with customers during the year, 90 more than in 2016. The number of meetings is being further increased. Keva organised 179 training events ordered by customers. There were around 127 other customer and collaboration events. Customer needs relating to the health, social services and regional government reform were particularly addressed in our work with customers during 2017.

During 2017, 158,500 employee customers and 3,500 employer customer representatives called Keva's advisory numbers. General pension advice was sought in 128,000 of the calls from employee customers while the rest concerned payment of pension. There were 6,500 more calls from employee customers compared to the previous year. Keva sent out 19,150 written replies to written enquiries from employee customers, 2,600 more than in 2016.

At the start of October, Keva switched over to using a message service facility which made it faster and simpler to reply to customers. Keva's pension advisory service served 647 customers who had made an appointment.

The online service is proving increasingly popular with employee customers. In 2017, the online service My Pension had 660,000 logins, up 9% on the year, and was the most popular Keva webpage.

During 2017, we introduced a separate My Pension webpage for the military to provide them with an estimate of the amount of their pension, when they had the right to retire on a military pension and to enable them to check their pension record. The military also has an online application service and message function available.

During 2017 it became possible to apply for all pension benefits through Keva's application service. With a customer satisfaction rate of 80%, satisfaction with the My Pension service was at a good level. Since May 2017, a mobile version of the plastic earnings-related pension was made available for those wanting it.

Piloting of the Key Data online service for employers began towards the end of the year and the service was rolled out for municipal customers in February 2018. The service helps employers to assess and analyse work capacity management matters in their own organisations, for example. Also during the year, the message functionality of the employers' online service was developed and will be brought into use in 2018.

During the year, existing data were studied to deepen customer understanding and methods were developed to effectively collect and use information. This work resulted in a data table for each county for employer customers for them to use to get an idea of the implications of health, social services and regional government reform in different counties.

Transactions online established their position. During 2017, Keva's website had 1.5 million visits, which was roughly in line with the figure a year earlier.

The employers' online service had 32,231 logins, slightly fewer than in 2016. This was because submitting applications through the service was discontinued and migrated to the application service website. The employers' online service was developed during the year and employers can now also update their contact information through the service.

Customer feedback for different transactions between employee or employer customers and Keva (online channels, meetings, events) was systematically gathered in 2017. The given feedback was checked in the units and teams and used for improving activities and services. Overall, Keva receives very positive feedback for meetings, 80–90% of meetings receive a good or very good overall review from the customer.

According to the customer satisfaction survey, 71% of employer customers rates Keva's performance of its duties as good or very good. The equivalent figure among employee customers was 89%. In accordance with the goal, strategic customers were especially satisfied with Keva's performance. Their customer satisfaction grew by 9 percentage units, and is now 93%.

Especially the biggest employer customers thought that Keva had improved their customer orientation. The development is not visible to all customers yet, but the even more active operations model of 2017 will also be applied to other customer groups. This clear request could also be seen in the survey. In accordance with previous years, customers think that Keva succeeds well in the services they produce.

Employee customer satisfaction grew compared to last year, and almost 9 customers out of 10 rates their satisfaction with Keva's services as good or very good. The customers are especially happy with how smooth, fast, clear, and competent the service is.

Keva's Board of Directors approved the corrected chapter in the report of the Board of Directors "Customer relationships and customers" on 17 May 2018. There was a technical error in the previously approved version.

Contribution income

At the end of 2017, some 515,000 employees were insured under Keva member organisations' pension system. This was around 4,000 fewer than in the previous year. The total payroll of member organisations was EUR 16,844 million, EUR 44 million (0.3%) less than in 2016.

Contribution income paid by Keva member organisations in 2017 totalled EUR 4,793 million or 28.46% of the payroll (EUR 4,966 million and 29.40% respectively in 2016). Contribution income contracted EUR 173 million (3.5%) year on 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 3,982 million were collected in earnings-based contributions, EUR 49 million (1.2%) more than in 2016. Employees contributed EUR 1,110 million and employers EUR 2,872 million. In 2017, the earnings-based contribution averaged 23.64% of salaries, i.e. 0.35 basis points more than in 2016. The employers' contribution percentage contracted 0.05 basis points and the employees' contribution percentage rose by an average of 0.4 basis points. 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 6.15%, employees aged 53-62 were charged 7.65% and employers were charged 17.05%.

In accordance with the decision of Keva's Council, Keva charged EUR 633 million pension expenditure-based contributions to its member organisation. This equated to 3.94% of the payroll, a decrease of EUR 217 million (around 25%) from the previous year.

In accordance with the decision of the Council, Keva charged EUR 149 million in early retirement pension expenditure-based contributions, which equated to 0.88% of the payroll. The sum decreased EUR 3 million (2%) on the 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 2017, 726 member organisations had arranged for financial support through Keva. Keva collected roughly EUR 4.6 million in financial support contributions in 2017, which is about EUR 0.9 million less than in the previous year.

Keva received some EUR 171 million in contribution income from the Unemployment Insurance Fund, which was approximately EUR 15 million less than in 2016.

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 2017, Keva collected more than EUR 1.4 billion in pension contributions for the State and more than EUR 150 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 2008–2017

Year	Employer's contribution rate				Employee's pension contribution		Average total
	Earnings-based contribution	Pension expenditure-based contribution	Early retirement-based expenditure contribution	Total			
2017	17.05	3.94	0.88	21.87	6.59	1)	28.6
2016	17.10	5.21	0.90	23.21	6.19	2)	29.40
2015	17.20	5.62	0.80	23.62	6.19	3)	29.81
2014	16.85	6.03	0.91	23.79	6.03	4)	29.82
2013	16.45	6.64	0.91	24.00	5.58	5)	29.58
2012	16.35	6.21	0.99	23.55	5.57	6)	29.12
2011	16.10	6.45	1.00	23.55	5.10	7)	28.65
2010	15.60	6.66	1.29	23.55	4.87	8)	28.42
2009	15.90	6.60	1.10	23.60	4.62	9)	28.22
2008	16.00	6.62	1.08	23.70	4.42	10)	28.12

1) 6.15% for people under 53 and 63 or over and 7.65% for people aged 53–62
2) 5.70% for people under 53 and 7.20% for people aged 53 or over
3) 5.55% for people under 53 and 7.20% for people aged 53 or over
4) 5.55% for people under 53 and 7.05% for people aged 53 or over
5) 5.15% for people under 53 and 6.50% for people aged 53 or over
6) 5.15% for people under 53 and 6.50% for people aged 53 or over
7) 4.70% for people under 53 and 6.00% for people aged 53 or over
8) 4.50% for people under 53 and 5.70% for people aged 53 or over
9) 4.30% for people under 53 and 5.40% for people aged 53 or over
10) 4.10% for people under 53 and 5.20% for people aged 53 or over

Pensions and benefits

Keva exceeded the strategic targets set for the level of service for old-age and disability applications. These targets measure the continuity of income. Keva missed the target for processing times by about a day because the pension reform entering into force at the start of 2017 and the ensuing changes to the information systems meant decisions could not be issued in the normal way even in 2016. In addition, more applications for 2017 than expected arrived during the last quarter of 2016. In January 2017, Keva issued as many as 37% more decisions than a year earlier.

Keva began to use the new less formal mode of address in decisions at the start of 2017. Customer satisfaction among the insured exceeded the target level.

Implementation of the pension reform added much colour to the start of 2017, when manual work was still required to ensure changes in the decision production system and the functioning of automation. In addition to which, more cases than normal were picked out for quality control. Work continued on improving the quality of the wording in the decisions and the focus was on Swedish-language decisions. Keva successfully increased the share of online applications by developing online services, with online applications for disability pensions and rehabilitation being possible since April. It has been possible to apply for reimbursement of expenses relating to rehabilitation and disability pensions online since July 2017.

Applications received and decisions issued

In 2017, Keva issued 71,286 decisions, of which 63,765 concerned pension matters, 7,201 were rehabilitation decisions and the remainder concerned benefits such as financial support, etc. Of the 69,338 applications received by Keva, 61,715 concerned 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 report.

The highest number of decisions by far concerned local government pensions: 55,126 decisions, or 77.3% of all decisions issued by Keva. Keva issued 13,636 decisions concerning State pensions, 2,008 decisions concerning Church pensions and 516 decisions concerning pensions for Kela's salaried employees.

In 2017, Keva missed the targets set for the processing times of old-age and disability pensions by one day. Old-age pensions were processed in an average of 26 days and disability pensions in an average of 43 days.

The rush caused by pension reform and system changes temporarily lengthened processing times particularly for old-age pensions. This was known beforehand since some pensions had to wait for changes to be made to the information systems because of the reform. This explains why the average processing time for pension decisions made in January was as long as 38 days, but in June it had fallen to just 21 days.

Despite the rush, Keva achieved the targets set for the level of service. Applications were processed in order of urgency based on the start of retirement. Decisions issued on time as provided by the service level indicator accounted for 92.8% of all decision (93.1% in 2016).

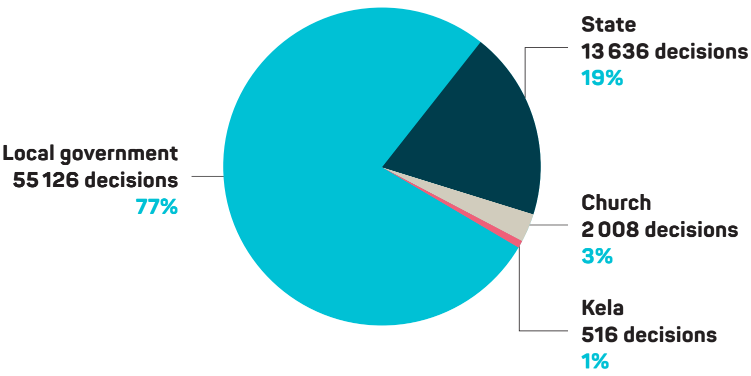
Keva's processing times in respect of all pension benefits were 2-16 days shorter than private pension providers on average.

The number of decisions rose by 6.1% to 4,079, compared to the figure for 2016. This increase was large due to the pension reform. Because of the changes required to information systems, a higher share than normal of the applications arriving at the end of the year were not processed until early 2017. This particularly applied to old-age pensions, for which 26,986 decisions were issued in 2017, 8% more than in the previous year. On the other hand, 7.1% fewer applications for old-age pensions arrived than in 2016.

Part-time pensions were discontinued in the pension reform and replaced by partial old-age pensions. In 2017, 4,049 decisions were issued concerning partial old-age pensions. Of these, 78.6% concerned a pension of 50% and the remainder a pension of 25% or on a scale between 25% and 50%.

Another retirement option, years-of-service pension, ushered in by the pension reform has failed to gain popularity. In 2017, Keva resolved just two applications for a preliminary deci-

Decisions issued by Keva by pension system



Total processing time for pension applications

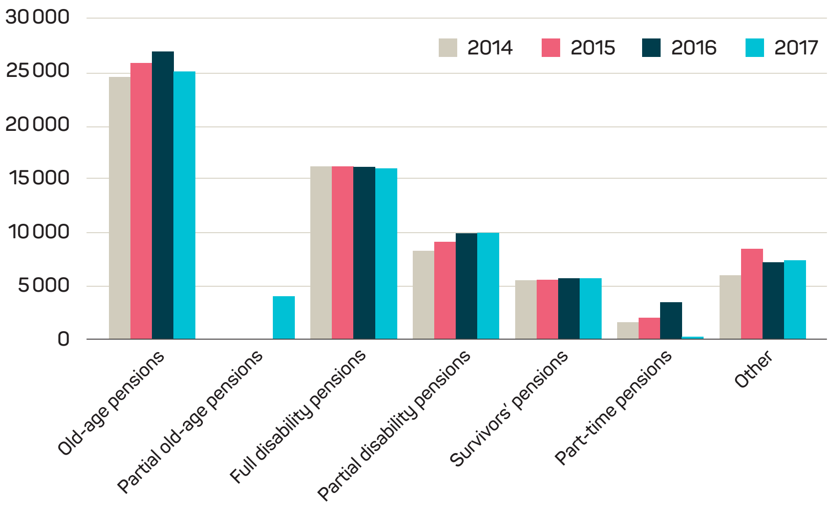
Pension benefit	2017	2016	Change, days	Private providers 2017
Old-age pension	26	20	6	42
Partial old-age pension	12		..	14
Disability pension	43	42	1	54
Survivor's pension	13	18	–5	27
Rehabilitation	13	12	1	20

Source: Finnish Centre for Pensions

Number of all decisions by pension benefit 2017 and 2016

Benefit	2017	2016	Change, %
Old-age pensions	26 986	24 982	8.0
Partial old-age pensions	4 049	3	..
Full disability pensions	15 876	16 089	-1.3
of which new decisions	5 604	5 636	-0.6
Partial disability pensions	9 891	10 003	-1.1
of which new or preliminary decisions	3 932	4 076	-3.5
Years-of-service pensions	2	0	..
Survivors' pensions	5 937	5 901	0.6
Part-time pensions	1 024	3 084	-66.8
Other pension matters	320	358	-10.6
Rehabilitation decisions	7 201	6 788	6.1
Total	71 286	67 208	6.1

Number of applications received by Keva by pension benefit



sion concerning a years-of-service pension. 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.

A total of 1,024 part-time pension decisions were issued, of which 720 were new decisions and the remainder were decisions relating to the suspension or waiving of part-time pensions. Keva issued 66.8% fewer part-time pension decisions than in the previous year. The last part-time retirements began in January 2017. Particularly many part-time pensions applications were received during the last quarter of 2016.

Disability pension decisions, 25,767, showed a slight decline: full disability pensions were 1.3% down and partial disability pensions 1.1% down. Keva issued 320 decisions concerning other pension matters, 10.6% fewer than in the previous year. The number of survivors' pension decisions rose by 0.6% to 5,937, which was fairly much the same as a year earlier. Rehabilitation decisions rose 6.1% year on year to 7,201 decisions.

A total of 44,544 decisions were made on new pension applications and 41,078 of these decisions were favourable. The rejection rate for new disability pensions was 22.6% (22.9% in 2016). Among private pension providers, the average rejection rate for new disability pension applications was 33.3%. In rehabilitation decisions, the rejection rate was 16.0% (15.3% in 2016), whereas the rejection rate for private pension providers was 23.8%.

With a decrease of 0.8% compared to the previous year, there were no major changes in the total number of applications in 2017. The biggest decrease (89.1%) was naturally seen in applications for part-time pensions, which were discontinued in the pension reform. Applications for old-age pensions were 7.1% down compared to the previous year.

Since April 2017, it has been possible to apply also for disability pensions and occupational rehabilitation online through the My Pension service. Online applications rose to account for 35% (26% in 2016) of applications received. Online applications accounted for 65% (58% in 2016) of applications for old-age pension, where 10% of all applications for disability pension were made online.

Keva estimates that the number of pension applications will remain high in the near future 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. Changes in the operating environment, in particular the health, social services and regional government reform, may have major implications for the number and structure of the insured and thus also for application volumes.

Pension decision rectification structure

In 2017, Keva processed a total of 1,441 appeals filed with the Pension Appeal Board against its decisions in the 'self-rectification procedure'. Of these, 1,000 involved work capacity assessment. The rectification rate was 13.4% for all appeals and 8.7% for work capacity assessment. The remaining appeals were submitted to the Board for consideration.

In 2017, Keva also processed a total of 154 appeals filed with the Insurance Court against decisions issued by the Pension Appeal Board. Of these, 124 concerned work capacity assessment and the rectification rate among these was 4.0%.

The Pension Appeal Board revised 10.0% of the rejection decisions issued by Keva that had been appealed. The Insurance Court revised 15.3% of Keva's decisions that had been appealed.

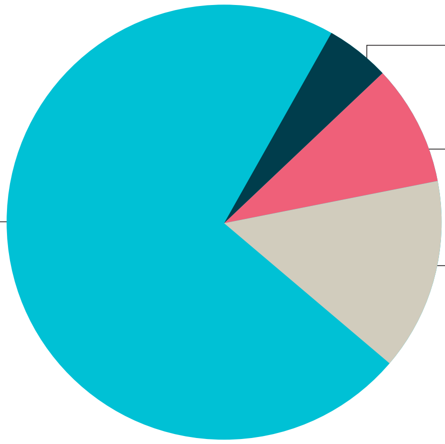
Persons retiring

The number of employees retiring from the service of local government, the State, the Church and Kela totalled 20,567. The average age of persons retiring was 61.0 years (0.2 years lower than in 2016). The average age of persons retiring on an old-age pension in 2017 was 63.8. Old-age retirement accounted for 72.1% of all persons retiring, down 1.3 basis points year on year. Partial disability retirement accounted for 14.3% of all persons retiring. Persons starting to receive a new partial disability pension are also counted as persons retiring even if they continue to work alongside drawing a pension.

A total of 5,738 employees retired on disability pension. Musculoskeletal disorders were the most common reason for disability and accounted for 37.7% of primary disorders in persons retiring on a disability pension. Mental health problems were the reason in 28.4% of cases of persons retiring on a disability pension.

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

Percentage of persons retiring by pension benefit in 2017



review. The expected effective retirement age for a 25-year-old employee was 60.9 years in local government service (61.2 years in 2016) and 62.1 years in State service (military personnel excluded) (61.9 years in 2016).

Pensions paid

Pension expenditure by Keva member organisations in 2017 was EUR 4,990 million, an increase of 252 million or 5.3% compared to 2016. At year-end, the number of pension recipients was roughly 398,000, around 3% more than a year earlier.

In 2017, Keva paid out EUR 4,597 million in State pensions, an increase of roughly EUR 95 million or around 2% compared to 2016. At year-end, State pension recipients numbered approximately 256,000, a decrease of around 1% compared to a year earlier. Evangelical Lutheran Church pensions paid out by Keva amounted to roughly EUR 196 million, an increase of 4% compared to 2016. The corresponding expenditure on the pensions of Kela's salaried employees was roughly EUR 99 million, an increase of some 3% compared to 2016.

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 8 million to the State for 2017. Keva will charge the Evangelical Lutheran Church an additional sum of around EUR 1.3 million. These items were recognised in the financial statements as adjustments to advance payments.

Working life services and support for continuing at work

The local government and State sectors achieved their targets set for continuing at work. The percentage of persons retiring at the earliest age of 63 accounted for 63% of all persons retiring in the local government sector and 66% in the State sector. This was 7 and 6 basis points respectively above target. The percentage of persons retiring on a partial disability pension accounted for 52% of all persons retiring on disability pension in the local government sector and 43% in the State sector. This was 10 and 4 basis points respectively above target.

Keva overhauled the working life services it provides to employer customers. The services were conceptualised into basic services to improve work capacity and workplace wellbeing that are available to everyone an into individualised services, which include consultation and service customisation. Keva will work with employer customers to develop new forms of service to meet customer needs for which there is no ready-made service.

Workplace wellbeing promotion grants are designed to support customer projects in this field, to help customers learn from each other and to highlight innovative development models to improve the quality of working life. The theme of workplace wellbeing promotion grants in 2017 was on supporting change, particularly in health, social services and regional reform. A total of 42 applications were received and Keva granted a total of EUR 300,000 to nine organisations, with each project receiving EUR 10,000-EUR 50,000.

The Key Data service estimated the costs incurred by work disability for 20 local government employers. The service had a coverage of around 83,000 persons insured. Additionally, a qualitative analysis of their workplace wellbeing management was provided for 11 employers. In 2007, the Key Data service was developed so that it could be offered to all local government employers at the start of 2018.

Keva conducted a workplace wellbeing survey for ten local government employers. The survey provided support for the development of organisation-specific workplace wellbeing for personnel. Online working of results and development areas was piloted with four organisations. The workplace wellbeing survey developed on the basis of the pilot will be accessible to all local government employers during 2018.

The 'Partial Work Capacity Path' workshop concept was built in a Helsinki pilot in 2016. The concept was developed in 2017 and the experiences of occupational rehabilitation were drawn on. A 'Partial Work Capacity Path' game used in online and face-to-face workshop working was also built around the concept. The 'Partial Work Capacity Path' illustrates work capacity management in practice and clarifies the roles and responsibilities involved. The Path puts into specific terms the employee's costs and the employee's loss of earnings in respect of disability.

During 2017, learning network activities began an established part of working life services. In collaboration with the Centre for Occupational Safety, the Institute for Advanced Training, the Labour Market Organisation of the Church, the Church's main bargaining agents, dioceses and parishes, Keva implemented a workplace wellbeing management learning network for nine parishes as part of the Kirteko programme for improving the working life in the Evangelical Lutheran Church. An intensified support development network was implemented for seven local government organisations.

Workplace Wellbeing Strategically coaching was replaced by a virtual learning environment, which will be deployed in 2018. The goal is to build service paths in response to customer needs and to combine new online services and working in a learning environment with the consultative support of Keva's experts.

Four studies were carried out in 2017. Restricted work in local government organisations was studied as Keva's own work. Working together with customer organisations, Keva studied the job descriptions and work of work ability coordinators in local government organisations. Studies on persons on partial disability pension and a study on work capacity management in the public sector as part of the management system were carried out as outsourced services that had been put out to tender. The study reports are available on Keva's website.

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. Around 150 supervisors and 15 organisations took part in the project.

The annual Keva Day was held in March under the theme "Public, Private and Joint Responsibility for the Future". There were 630 participants and Keva Day was the main event in Keva's Finland centennial celebration year.

Occupational rehabilitation and rehabilitation processes are often a single concept in work capacity management and work capacity support in workshops, development networks and coaching events. Keva provided training in occupational training matters for work ability coordinators in 15 training events at the Rehabilitation Foundation.

In 2017, 40% of decisions concerning the right to occupational rehabilitation were given in conjunction with processing disability pension matters and 60% of decisions were made based on customer applications. Keva particularly paid attention to ensuring that decisions on the right to rehabilitation resulted in a rehabilitation plan.

During the year, around 200 people took part in the situational reviews provided by Keva for people whose disability pension applications had been rejected. The goal of these reviews is to clarify the understanding of customers who have received rejections of their own situation, possibilities and social security options and to promote a return to working life. Each year, around 20%-30% of people taking part in the situational review return to working life.

Investment operations

Very little was expected in the way of investment returns in 2017. The start of the year saw interest rates still at historical lows. The equity market has had a good run of many years since the financial crisis. The capital markets were concerned over 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. However, in the end, 2017 was quite peaceful on the capital markets.

Keva had a good investment year in 2017 and can be pleased with the performance of all asset classes. Private equity and equity investments in particular delivered high returns, while real estate and hedge fund investments also performed well.

At the beginning of 2017, the market value of Keva's investments was EUR 44,422 million. At year-end, they had a market value of EUR 47,520 million. The market value of invested capital used to calculate return includes not only the assets mentioned above, but also accrued income including accrued interest as well as other items totalling EUR 4,351 million. Taking these items into account, the market value of invested capital totals EUR 51,871 million. The breakdown of imputed returns is used to calculate the breakdown for each asset class.

Investments are divided into asset classes: fixed income, equity, real estate, private equity and hedge fund investments. Fixed income investments consist of loans, bonds and money market investments. Some of the investments Keva manages itself, others are managed by external asset managers. Targeted returns are hedged using derivative instruments, the effects of which on allocation by asset class are taken into consideration in the figures that illustrate the risk-adjusted distribution of investment assets.

Of the different asset classes, equity performed best (14.5%) followed by private equity (12.7%). Also real estate investments (7.9%) and hedge funds (5.7%) performed well. Returns on fixed income were satisfactory (1.8%).

At year-end 2017, the risk-appropriate market value of Keva's investments broke down as follows: fixed income investments (including the impact of derivatives) accounted for 41.9%, listed equities for 38.5%, private equity for 7.1%, real estate for 6.3% and hedge funds for 6.3%.

Keva's total investment return at market value after expenses was 7.7% in 2017. The capital-weighted, annual cumulative real return on investments since the inception of funding (1988) until the end of 2017 was 4.3%. The non-capital weighted average real return for the same period was 5.5%. The five-year nominal return without capital weighting has been 7.2% and the real return 6.5%. The ten-year nominal return without capital weighting has been 5.2% and the real return 3.8%.

Fixed income investments

The year in the fixed-income market began with interest rates still at exceptional lows. The European Central Bank and US Federal Reserve continued to pursue divergent paths during the course of 2017. The European Central Bank had to and will have to continue its market recovery actions, whereas the Fed has already started to tighten its monetary policy.

At year-end 2017, the total market value of Keva's investments in bonds and fixed-income funds stood at EUR 17,009 million. A total of EUR 6,345 million or 37.3% of the bond portfolio was allocated to external asset managers (including funds). The market value return on bonds was 2.6%.

Loans, excluding those granted to Keva companies, totalled EUR 316 million at year-end 2017. The loan portfolio decreased by EUR 71 million during the year and the market value return on these loans was 0.7%.

Other money market instruments and deposits totalled EUR 4,883 million at year-end 2017.

A total of EUR 158 million in interest income was booked for the fixed-income portfolios. The market value return on fixed-income investments was 1.8%.

Equity investments

Share performance was good in 2017. Despite many fluctuations, the year turned out to be calmer and more profitable than market expectations.

The MSCI index (EUR), which illustrates the average performance of the world's equities, showed a 2017 year-end performance of 7.6%, compared to 11% a year earlier. Measured by the Stoxx 600 index, European equities rose by 12.5% (1.7% in 2016). The return on Asian equities (MSCI Asia-Pacific) was 15.7% (8.3%).

At the end of 2017, the total market value of Keva's listed equity investments was EUR 19,493 million. Assets totalling EUR 16,079 million, i.e. 82.5% of the entire equity portfolio, were allocated to external asset managers (including funds).

Dividends received from equity investments totalled EUR 102 million. The market value return on listed equity investments was 14.5%.

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 26% of real estate investments.

Keva has sought to diversify its directly-held portfolio by investing in residential, office, shopping centre and hotel properties. 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 market value of real estate and real estate shares was EUR 3,258 million at the end of the year. Of this figure, real estate funds accounted for EUR 847 million and traditional loans in real estate companies accounted for EUR 197 million. In addition, Keva had EUR 39 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 1,810 million, of which undrawn commitments amounted to EUR 634 million.

At year-end 2017, the 130 real estate companies owned by Keva had a total lettable area of approximately 857,000 m2. There were 4,405 leases in place generating a net rental income of EUR 91.5 million. The market value return on direct real estate investments was 6.9%. Calculated on the basis of the Finnish Institute for Real Estate Economics' KTI index, the total return on real estate investments was 5.9%.

The market return value on all real estate investments was 7.9%.

Private equity and hedge fund investments

The private equity investment environment continued to be quite good in 2017. For hedge funds, the environment was reasonably good and the funds also generated reasonable returns.

At the end of the year, Keva's private equity investments had a market value of EUR 3,662 million, including investments in unlisted companies. Keva's hedge funds had a year-end market value totalling EUR 3,249 million. Investment commitments made to private equity investments totalled EUR 8,764 million at year-end, with undrawn commitments accounting for EUR 3,826 million.

The market-value return on private equity investments was 12.7%. Hedge fund investments generated a return of 5.7%.

Investment operations steering

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 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 new investment strategy continues until 2020-2022.

Responsible investing

The returns needed to cover pension liability are driven by economic growth and are generated in the long term. Sustainable economic development is integral to the pursuit of long-term gains. Keva considers responsible investing to be an integrated part of long-term investment operations.

Keva's Board of Directors has decided on the key principles of social responsibility to be complied with in Keva's investment operations. The Board of Directors has also outlined the ways of working and procedures to be used to ensure that social responsibility is integrated into the investment process.

The Board of Directors receives regular reports on how responsibility has developed in investment operations. To supplement its own approaches, Keva also uses data from external service providers specialising in assessing responsible investing.

Investments by fair values 31 December 2017

	EUR million	%
Fixed income investments	22,208	42.8
Equity investments	19,493	37.6
Real estate investments	3,258	6.3
Private equity investments	3,662	7.1
Hedge fund investments	3,249	6.3
Total	51,871	100

Investments by currency at fair values 31 December 2017

	EUR million	%
EUR	26,719	51.5
USD	21,214	40.9
JPY	2,115	4.1
GBP	758	1.5
SEK	374	0.7
CHF	234	0.5
Others	456	0.9
Total	51,871	100

Investments by geographical distribution at fair values 31 December 2017

	EUR million	%
Europe (excl. Finland)	15,976	30.8
North America	13,435	25.9
Finland	11,775	22.7
Emerging markets	8,040	15.5
Japan	2,127	4.1
Others	519	1.0
Total	51,871	100

Subsidiaries and associated companies

At year-end 2016, Keva owned in whole or in part a total of 128 Finnish real estate companies, two more than a year earlier. Keva owned 107 real estate companies in full and had a majority holding in 10 others. There were five associated companies (holding of 20-50%) and six 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 which manages real estate investments in Denmark.

Besides real estate companies, Keval held the entire share capital of Kuntasijoitus KE Oy, had a 30.66% stake in Municipal Finance Plc and a 25.5%stake in Exilion Capital Oy, which is the general partner in the Exilion Real Estate I Ky fund. Keva divested Exilion Capital Oy and its holdings at the start of 2018.

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 2017, the fund stood at EUR 52,261 million, which was EUR 3,627 million (7.5%) higher than a year earlier.

Net present value of accrued benefits in Keva member organisations' pension system

Based on the provisions of pension legislation, the value of 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 115 billion at year-end 2016. The estimate is approximately EUR 2 billion higher than the earlier estimate owing to, among other things, the introduction of new register materials. During 2017, the value increased by EUR 2 billion to EUR 117 billion.

Since the value of the pension liability fund in 2017 grew by more than the net present value of benefits, the net present value of unfunded benefits decreased by EUR 2 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

Operating costs and depreciation before reimbursements received (gross operating costs) in 2017 totalled EUR 82.2 million, which is EUR 2.6 million or 3.3% higher than in 2016.

The largest individual cost item was personnel costs, which were EUR 39.2 million, which was EUR 0.7 million or 1.8% less than in 2016. Other operating costs rose by EUR 3.1 million or 9.1% compared to 2016. This increase was primarily due to higher IT costs, which rose by EUR 2.6 million to EUR 23.1 million. IT infra costs in particular rose significantly, as did the maintenance and development costs of the pensions processing system.

Keva received reimbursements totalling EUR 18.7 million (EUR 19.2 million in 2016) for operating costs and depreciation for managing the pension provision of Keva member organisations. Of this reimbursement, the State paid around EUR 15.6 million, the Evangelical Lutheran Church around EUR 2 million and the Social Insurance Institution of Finland (Kela) paid around EUR 0.5 million. Reimbursements were lower than in the previous year because of the decline in the share of the State, Evangelical Lutheran Church and Kela of all occurrences of retirement managed by Keva.

Keva's net operating costs, including reimbursements, reflect the costs of implementing local government pensions. Net operating costs were EUR 63.6 million, which was EUR 3.2 million or 5.2% higher than in the previous year.

When examined by function, the gross costs of pension operations were EUR 47.0 million, up 0.4% on the figure a year earlier. Taking into account the reimbursements received, the costs of pension operations rose by 2.7%. The costs of investment operations were EUR 17.3 million or 9.7% higher than in 2016. No reimbursements were allocated to investment operations. Gross operating costs for administration were EUR 17.9 million, up 5.1% compared to 2016. Taking into account the reimbursements received, the operating costs for administration rose 5.9%.

Capital expenditure on IT software and hardware was EUR 2.4 million, EUR 0.7 million higher than a year earlier. The most significant IT expenditure was on replacing the pensions payment system and this work will continue until 2020. In addition, EUR 0.8 million was spent on improvements to Keva's office building. Replacement investments will continue during 2018 and 2019.

Depreciation according to the plan in 2017 was EUR 6.1 million, EUR 0.2 million higher than in 2016.

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 8.1 million, EUR 0.1 million less than in 2016. Around EUR 2.2 million of these costs were paid by the State, the Evangelical Lutheran Church and Kela.

Keva received EUR 20.3 million, EUR 0.7 million less than in 2016, in reimbursements 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's term of office started in 2013 and, under a provision entering into force in the Act on Keva (66/2016), was extended until the end of August 2017. The new 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 from Seinäjoki and the Deputy Chair was Ms Maarit Ojavuo, an IT specialist and MP's personal assistant from Kajaani.

The Council convened four times in 2017. The attendance rate of the Council's ordinary members was 89% and 94% 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 61,775.

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. 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; 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 50,000.

In addition to the Council and Board of Directors, Keva's statutory bodies include the Investment Advisory Committee, the 10 members of which 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, City of Salo, 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 2017. The Investment Advisory Committee's term of office continues in the same way as that of the Board of Directors.

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 the 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.

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 convenes 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 convened 34 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 Paula Sivunen, HR Director Mika Gylén, Communication Director Reija Hyvärinen (since 10 February 2017) and staff representative, shop steward Pasi Lehto. Compliance officer Markus Mankin serves as secretary to the Management Group.

Personnel

At year-end 2017, Keva employed 538 people (540 in 2016), of whom 19 were temporary (20 in 2016). Women accounted for around 70% of Keva's personnel and the average age was 49.7 years (49.2 in 2016).

The focus in 2017 was on building on Keva's corporate culture, which is one of the projects in the Keva strategic intent 2019 programme. Progress was made in the following sub-areas:

- Developing the work environment: transforming to a multi-activity environment, planning the related working practices and employee engagement. During the spring, Kevä discussed the environment change with all groups and units. The focus in the autumn was on planning implementation of the project. The discussion about a multi-activity environment took on a more positive tone.
- One-time rewards were introduced in the reward system for particularly good individual performance. The effectiveness of this in practice will be assessed during 2018. A start was also made on work to overhaul the bonus system.
- The Management Group had coaching aimed at fine tuning teamwork and joint development in management.
- Remote working and working hours practices were reviewed and the new practices were introduced at the start of 2018. Participation and workshops were used in this work. Making it possible to work irrespective of time or place will make it easier for the personnel to gradually move into the modernised premises in 2018–2019.
- HR planning greatly involved reviewing and improving operations. It is important to plan the implications of changing operations in terms of personnel numbers and competencies and how, looking ahead, Keva will be able to develop its personnel structure in line with the development of operations.
- The data management project migrated to a new electronic working environment and secure printing was introduced, reducing use of paper in the same context. Embracing new electronic approaches is essential as the physical working environment changes and remote working becomes more widespread.

The corporate culture development project has employed the project management approach, with persons from different functions taking part. This open and empowering approach is part of the cultural change which has been reflected in, for example, employee commitment in projects in the programme and in the talents of the personnel that have emerged.

The revised employee satisfaction survey was conducted at the end of the year by a new partner as the result of competitive tendering. Work on processing the results and on planning the ensuing measures will take place in 2018. The plan is to repeat the same survey for four years. In addition to the employee survey, employee's working and wellbeing is gauged weekly by the Kevafiilis survey, which was introduced in the spring.

In 2017, the personnel were provided with a wide range of training and coaching. The series of expert lectures continued and formed part of the Keva Academy concept. Expert coaching was provided during the year to add to the skills, particularly in the areas of development work and dialogue, of persons working in specialist jobs. In addition, training was acquired for service design and project management, for example. As in earlier years, performance appraisals set personal objectives for Keva employees and reviewed the accomplishment of the previous year's objectives.

Terveystalo took over as Keva's occupational health care services provider in 2016 and many resources were still required in 2017 to harmonise collaboration and processes. Keva conducted an online health survey, the results of which were processed in May 2017. A workplace survey was conducted in Customer Relationships and Services in late autumn. Workplace surveys will continue one function at a time in coming years.

Keva made a number of organisational changes and job reorganisations which involved the appropriate employer/employee negotiations. Such changes included an extension of telephone service availability times and the allocation of responsibilities in the communications and stakeholder cooperation unit.

As in earlier years, workplace wellbeing was supported through a range of clubs for the personnel. Keva also offers its employees culture and exercise vouchers as well as employer-subsidised commuter tickets. Commuting was also promoted with external partners and at the end of the year, the Finnish Transport Agency, Motiva and Helsinki Regional Transport chose Keva to receive the "Työmatkaliikkumisen edelläkulkija -tunnustus" leader in commuting recognition. Keva has an active support model in place to support and maintain work capacity. Mutual interaction of the personnel has also been increased by activating Yammer discussions.

IT management

Keva's focus in 2017 was on developing digital services. Keva was the first earnings-related pension company to issue a mobile earnings-related pension card to its private customers. The online pension application service for private customers was expanded with the addition of new pension benefits. A message service was introduced to enable secure communication via Keva's online My Pension service.

Employer customers piloted the new Key Data service. This provides employers with analysed data about sickness absence, healthcare, accident and early retirement costs. The Key Data service will be expanded during 2018.

Keva's customer relationship management has been modernised and the D365 (CRM online) customer relationship management system has been brought into use in investment operations. The plan is to start using the system in other Keva functions during 2018. A start has been made on systematically collecting customer feedback in the feedback system to enable Keva to develop operations. After a customer call, customers receive a web feedback questionnaire by SMS message to measure customer satisfaction with the service.

The focus in pension system development in the early part of 2017 was on implementing the final statutory modifications to the information systems necessitated by the pension reform. The second phase in the pension reform project was completed and the remaining modifications to the information system were made operational to schedule in April 2017.

Keva's experts took part in work on the Incomes Register project in 2017 and work on this continues in 2018. The Incomes register project requires modifications both to Arek's backup systems and Keva's own systems. The goal is for a system than can provide all the necessary information for pension solution and payment operations and make it easier to manage employer contributions. The Incomes Register project will be rolled out on 1 January 2019.

The contributions Keva collects from its employer customers will change significantly with the introduction of the incomes register and the health, social services and regional government reform. These changes will be implemented in the new pension contributions calculation system Massi. Work on the Massi project began in 2017. The project will be introduced with the Incomes Register project on 1 January 2019.

The pension payments system development project (Emma) was launched in 2017. Emma is being implemented in partnership with Varma. The current system is nearing the end of its lifecycle and will be replaced with a system featuring state-of-the-art technology including features to allow greater automated processing and better customer service.

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

Development of risk management

The focus in the general development of risk management in 2017 was on strengthening the integration of the risk management process with the processes for the planning, steering and management of operations and on continuing the rollout of the risk management process at various levels of the organisation. Risk surveys were reported to the CEO and the Management Group at six-month intervals. Monitoring and reporting procedures in the risk management process as well as the related technical support were developed and documentation was supplemented.

Keva continued to develop the principles, approaches and processes as well as the risk analyses relating to operations in order to further improve data security and data protection. The main focus areas included the secure use of data and management in cloud services, awareness of data security incidents in information networks and development of the management process as well as preparations for the entry into force of the EU's General Data Protection Regulation.

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.

Contingency plans

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

Most significant risks

The implications of the decisions made in the restructuring underway in the public sector and the health, social services and regional government reform are in many respects still unknown. However, even now, the reforms can be expected to have significant implications for Keva's operations and for Keva's legal standing and role as a public sector pension provider. These considerations are also reflected in the strategic risks to which Keva is exposed.

Keva estimates the biggest strategic risks on Keva's operations to be the impacts of the way in which public services are reorganised as well as Keva retaining its position and role as a public sector pension provider.

Public services have long been under reorganisation. The health and social services reform coupled with their associated freedom of choice and incorporation are accelerating this development. Growth in the market shares of private and third sector actors will also impact the stability of funding earnings-related pensions. The transition model or compensation model for the transition period will somewhat moderate changes in market shares resulting from a contraction in the funding base of the local government and county pension system and pressure to increase pension contributions. This impact would only be temporary because changes in market shares will continue after the transition period, that is post 2025.

In spring 2017, the health and social services reform project group set up a working group to look into the distinct character of the pension systems. This work is still ongoing. Keva already at this stage recognises potential threats such as the review not genuinely exploring all the alternatives to develop the pension system in the longer term or failure to achieve an adequately clear and fair approach for further preparation of the review.

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 capital-weighted, annual long-term real return on investments between 1988 and 2017 was 4.3%.

Keva considers changes in the operating environment as causing major and medium-sized risks to Keva's management, administration and competitiveness. The Keva 2019 strategic intent programmes were launched in 2016 and include significant projects aimed at reforming the management system and culture as well as the organisation. These projects are Keva's response to changes in the operating environment and will continue until the end of 2019.

The most significant operative risks related to the personnel, operating processes, information systems, information security and to project management.

Market risk and liquidity

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 632 million at year-end 2017. 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 2016 was EUR 1,495 million. The VaR figure has fallen slightly since the annual volatility has decreased (3.4% in 2017) when compared to 2016 (6.4%).

The year 2017 was the first year that Keva's contribution income failed to cover all pension expenditure. The importance of long and short-term liquidity in the investment portfolio has thus further grown.

Compliance

Keva has an independent Compliance function tasked with providing support to management and the entire organisation in ensuring compliance with good governance and the external and internal rules relating to 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 2017, Compliance focused on monitoring and assessing draft regulations affecting Keva. Another focus area was building compliance procedures in Investment Operations. In autumn 2017, the Board of Directors approved Keva's Code of Conduct, which had been compiled by Compliance and which all Keva's operations comply with.

Insider guidelines

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

Internal audit

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, the appropriateness, effectiveness, efficiency and adequacy of Keva's internal control and management and governance procedures and issues recommendations for their improvement.

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

Keva, the public employee pensions professional, is undergoing the greatest change in its history. This change is impacted by the health, social services and local government reform, digitalisation, which is changing ways of working and structures, changes in working life, evolving customer needs such as an emphasis on group structures and an ageing population. In addition, a working group set up by the Ministry of Social Affairs and Health is exploring alternatives to merge pension systems and the implications of these. The changes will all have implications for Keva long into the future.

In 2017, Keva's contribution reform was completed and this is scheduled to enter into force at the start of 2020. The intention is to submit the government bill concerning this in spring 2018. The reform simplifies Keva's contribution structure. Subsequent to the reform, all companies and other organisations belonging to muncipality and county enterprise groups would pay the same level of earnings-related contributions as customers of earnings-related pension companies. More expensive pension costs arising from old pension liabilities and the gender and age structure of local government employees would in future be funded by equalisation contributions, which would be paid only by municipalities and counties. Employees' earnings-related pension contributions have been and would continue to be at the same level as TyEL contributions.

Keva made a start on reviewing its strategy at the start of 2018 and Keva's Board of Directors will approve the strategy by the start of 2019 at the latest. Strategy work has its sights on the second half of the 2020s. Keva will also continue projects in the Keva 2019 strategic intent programmes aimed also at transforming customer experience, brand, responsibility and corporate culture. The strategy and projects both seek to make Keva even more competitive and attractive so that it succeeds in the face of tougher competition.

Keva intends to provide customers with the best customer experience in its sector. In the same context, Keva strives to ensure the best long-term returns on pension assets for its customers and for Finnish taxpayers.

Appendix: pension system-specific charts

Total pension application processing time (days) and service level 2017

Pension benefit	Local govern-ment	State	Church	Kela	Private providers
Old-age pensions	27	23	26	24	42
Partial old-age pensions	12	12	12	9	14
Disability pensions	42	48	43	47	54
Survivors' pensions	14	13	10	9	27
Rehabilitation promises	13	14	15	11	20
Service level	92.5	94.3	93.0	92.3	..

Source for processing times: Finnish Centre for Pensions

Application rejection rates 2017

Application	Local govern-ment	State	Church	Kela	Private providers
New disability pension	23.1%	19.1%	22.1%	20.8%	33.3%
Rehabilitation	15.4%	20.5%	10.2%	35.7%	23.8%

Pension decision rectification procedure 2017

Self-rectified by Keva	Local govern-ment	State	Church	Kela
Number of appeals against Keva's decisions	1 107	272	36	14
Rectification rate of all appeals, %	12.0%	18.4%	13.9%	21.4%
Number of appeals concerning work capacity assessment	837	129	26	8
Rectification rate of appeals concerning work capacity assessment, %	9.0%	7.0%	3.8%	25.0%
Number of appeals against decisions of the Pension Appeal Board	115	36	2	1
Rectification rate of all appeals, %	3.5%	2.8%	0.0%	0.0%
Number of appeals concerning work capacity assessment	98	24	2	0
Rectification rate of appeals concerning work capacity assessment, %	4.1%	4.2%	0.0%	0.0%

Number of local government pension decisions by pension benefit 2017 and 2016

Pension benefit	2017	2016	Change, %
Old-age pensions	19 490	17 737	9.9
Partial old-age pensions	3069	2	..
Full disability pensions	13 536	13 779	-1.8
of which new decisions	4 772	4 825	-1.1
Partial disability pensions	8 600	8 564	0.4
of which new or preliminary decisions	3 422	3 491	-2.0
Years-of-service pensions	2		..
Survivors' pensions	3 011	2 887	4.3
Part-time pensions	732	2 303	-68.2
Other pension matters	306	333	-8.1
Rehabilitation decisions	6 380	6 047	5.5
Total	55 126	51 652	6.7

Number of State pension decisions by pension benefit 2017 and 2016

Pension benefit	2017	2016	Change, %
Old-age pensions	6 462	6 266	3.1
Partial old-age pensions	832	1	..
Full disability pensions	1 782	1 759	1.3
of which new decisions	649	608	6.7
Partial disability pensions	970	1 132	-14.3
of which new or preliminary decisions	371	458	-19.0
Years-of-service pensions	0		..
Survivors' pensions	2 718	2 787	-2.5
Part-time pensions	261	672	-61.2
Other pension matters	14	25	-44.0
Rehabilitation decisions	597	539	10.8
Total	13 636	13 181	3.5

Number of Church pension decisions by pension benefit 2017 and 2016

Pension benefit	2017	2016	Change, %
Old-age pensions	851	816	4.3
Partial old-age pensions	108		..
Full disability pensions	485	460	5.4
of which new decisions	164	176	-6.8
Partial disability pensions	188	167	12.6
of which new or preliminary decisions	85	72	18.1
Years-of-service pensions	0		..
Survivors' pensions	184	180	2.2
Part-time pensions	26	63	-58.7
Other pension matters	0	0	..
Rehabilitation decisions	166	143	16.1
Total	2 008	1 829	9.8

Number of Kela salaried employee pension decisions by pension benefit 2017 and 2016

Pension benefit	2017	2016	Change, %
Old-age pensions	183	163	12.3
Partial old-age pensions	40		..
Full disability pensions	73	91	-19.8
of which new decisions	19	27	-29.6
Partial disability pensions	133	140	-5.0
of which new or preliminary decisions	54	55	-1.8
Years-of-service pensions	0		..
Survivors' pensions	24	47	-48.9
Part-time pensions	5	46	-89.1
Other pension matters	0	0	..
Rehabilitation decisions	58	59	-1.7
Total	516	546	-5.5

Number of local government pension applications by pension benefit 2017 and 2016

Pension benefit	2017	2016	Change, %
Old-age pensions	18 019	19 130	-5.8
Partial old-age pensions	3 159	116	..
Full disability pensions	13 748	13 938	-1.4
Partial disability pensions	8 818	8 531	3.4
Years-of-service pensions	5		..
Survivors' pensions	3 004	2 887	4.1
Part-time pensions	282	2 644	-89.3
Other pension matters	339	359	-5.6
Rehabilitation decisions	6 431	6 064	6.1
Total	53 804	53 669	0.3

Number of State pension applications by pension benefit 2017 and 2016

Pension benefit	2017	2016	Change, %
Old-age pensions	6 000	6 652	-9.8
Partial old-age pensions	842	32	..
Full disability pensions	1 817	1 776	2.3
Partial disability pensions	993	1 111	-10.6
Years-of-service pensions	0	0	..
Survivors' pensions	2 705	2 785	-2.9
Part-time pensions	96	813	-88.2
Other pension matters	14	22	-36.4
Rehabilitation decisions	611	534	14.4
Total	13 078	13 725	-4.7

Number of Church pension applications by pension benefit 2017 and 2016

Pension benefit	2017	2016	Change, %
Old-age pensions	766	883	-13.3
Partial old-age pensions	117	3	..
Full disability pensions	499	473	5.5
Partial disability pensions	201	164	22.6
Years-of-service pensions	0	0	..
Survivors' pensions	180	186	-3.2
Part-time pensions	11	74	-85.1
Other pension matters	0	0	..
Rehabilitation decisions	164	143	14.7
Total	1 938	1 926	0.6

Number of Kela salaried employee pension applications by pension benefit 2017 and 2016

Pension benefit	2017	2016	Change, %
Old-age pensions	165	186	-11.3
Partial old-age pensions	38	3	..
Full disability pensions	83	92	-9.8
Partial disability pensions	142	140	2.9
Years-of-service pensions	0	0	..
Survivors' pensions	23	47	-51.1
Part-time pensions	1	48	-97.9
Other pension matters	0	0	..
Rehabilitation decisions	64	59	8.5
Total	518	575	-9.9

Number of persons taking retirement by pension benefit 2017

Pension benefit	Local government	State	Church	Kela
Old-age pension	10 200	4 048	464	107
Full disability pension	725	167	33	3
Full rehabilitation allowance	1 618	203	48	9
Partial disability allowance	2 559	271	66	36
Total	15 102	4 689	611	155

Average age of persons taking retirement by pension benefit 2017

Pension benefit	Local government	State	Church	Kela
Old-age pension	64.1	62.9	64.4	65.1
Full disability pension	58.2	57.8	58.2	62.0
Full rehabilitation allowance	48.5	50.7	48.4	51.3
Partial disability allowance	56.0	56.3	54.3	54.4
Total	60.7	61.8	61.7	61.8

Governing bodies 2017

Members of Keva's Council for the term 1 January 2013-31 August 2017

Ordinary members	Personal deputies
Chair, Mr Harri Jokiranta, Seinäjoki	Pilvi Torsti, Helsinki
Deputy chair Ms Maarit Ojavuo, Kajaani	Mr Risto Ervelä, Sauvo
Ms Miia Antin, Hattula	Ms Jonna Heikkilä, Nakkila
Ms Diana Bergroth-Lampinen, Pori	Mr Jukka Nyberg, Kouvola
Ms Christina Båssar, Korsnäs	Mr Christian Sjöstrand, Helsinki
Ms Piia Flink-Liimatainen, Äänekoski	Mr Tommy Björkskog, Naantali
Mr Keijo Houhala, KTN ry	Ms Leila Lehtomäki, KTN ry
Ms Riitta Jakara, Orivesi	Mr Toni Eklund, Turku
Ms Paula Juka, Muhos	Mr Jaakko Uuksulainen, Kitee
Mr Harri Kerijoki, Heinola	Ms Maarit Markkula, Köyliö
Mr Niko-Tapani Korte, Kuopio	Ms Sinikka Hälli, Joensuu
Mr Markku Koski, Sievi	Ms Kirsi Torikka, Savonlinna
Ms Outi Kuismin, Oulu	Ms Marja Lähde, Oulu
Mr Petri Lindroos Negotiation Organisation for Public Sector Professionals (JUKO)	Mr Jarmo Niskanen Negotiation Organisation for Public Sector Professionals (JUKO)
Mr Saku Linnamurto, Savonlinna	Mr Pekka Leskinen, Leppävirta
Ms Marja Lounasmaa Union of Local Government Employees	Ms Päivi Ahonen Union of Local Government Employees

Mr Leo Lähde, Nokia (until 16 February 2016)	Mr Hannu Kokko, Vantaa
	Mr Teemu Meronen Helsinki (from 1 March 2016)
Mr Juhani Nummentalo, Salo	Mr Ismo Pöllänen, Imatra
Mr Lauri Nykänen, Tornio	Ms Virpi Takalo-Eskola, Oulainen
Ms Helena Ojennus, Parkano	Mr Simo Riuttamäki, Huittinen
Ms Silja Paavola, KoHo ry	Mr Jukka Maarianvaara, KoHo ry

Members of Keva's Council from 1 September 2017 -

Ordinary members	Personal deputies
Chair, Mr Harri Jokiranta, Seinäjoki	Ms Pilvi Torsti, Helsinki
Deputy chair Ms Maarit Ojavuo, Kajaani	Ms Minna Harmaala, Asikkala
Ms Diana Bergroth-Lampinen, Pori	Mr Erkki Huupponen, Pieksämäki
Ms Christina Båssar, Korsnäs	Mr Christian Sjöstrand, Helsinki
Mr Toni Eklund, Turku	Ms Liisa Terävä, Rautjärvi
Ms Piia Flink-Liimatainen, Äänekoski	Mr Tommy Björkskog, Naantali
Ms Paula Himanen, Oulu	Ms Tuija Mäkinen, Jyväskylä
Mr Keijo Houhala, KTN ry	Mr Tero Ristimäki, Talentia ry
Ms Pirita Hyötylä, Kemi	Ms Auli Mustikkamaa, Ylivieska
Ms Paula Juka, Muhos	Mr Terho Korpikoski, Simo
Mr Tomi Kaismo, Oulu	Mr Ismo Pöllänen, Imatra
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

Ms Pia Lohikoski, Kerava	Ms Kati Tervo, Kemi
Ms Marja Lounasmaa Union of Local Government Employees	Mr Keijo Karhumaa Union of Local Government Employees
Mr Leo Lähde, Nokia	Ms Anne Lindgren, Riihimäki
Mr Teemu Meronen, Helsinki	Mr Mikko Päivinen, Järvenpää
Mr Juhani Nummentalo, Salo	Mr Tero Rantanen, Järvenpää
Mr Erkko Nykänen, Siilinjärvi	Mr Antti Leinikka, Hämeenlinna
Ms Silja Paavola, KoHo ry	Ms Else-Mai Kirvesniemi, KoHo ry
Ms Pia Pakarinen, Helsinki	Ms Tiina Noro, Vihti
Ms Ulla Perämäki, Helsinki	Mr Joonas Honkimaa, Kouvola
Mr Simo Riuttamäki, Huittinen	Ms Minna Reijonen, Kuopio
Mr Pekka Salmi, Tampere	Mr Jaakko Ikonen, Varkaus
Mr Jussi Saramo, Vantaa	Mr Juhani Lehto, Hämeenlinna
Ms Tiina Sarparanta, Kajaani	Ms Erja Laaksonen, Jämsänkoski
Ms Minna Sarvijärvi, Ylöjärvi	Mr Markku Pakkanen, Kouvola
Ms Aulikki Sihvonen, Kontiolahti	Ms Emilia Syväsalmi, Eurajoki
Ms Kirsi Torikka, Savonlinna	Ms Ritva Sonntag, Kemi

Keva’s Board of Directors 1 January 2015-

Ordinary members	Personal deputies
Chair, Ms Anna-Kaisa Ikonen, Tampere	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
Ms Sallamaari Muhonen, Helsinki	Mr Hannu Kokko, Vantaa
Ms Päivi Niemi-Laine Union of Local Government Employees	Mr Rauno Vesivalo KoHo ry
Mr Markus Lohi, Rovaniemi	Ms Tuula Partanen, Lappeenranta
Mr Harri Virta, Tammela	Ms Oili Heino, Pori
Mr Raimo Vistbacka, Alajärvi	Ms Marke Tuominen, Äänekoski

Investment Advisory Committee 1 January 2015 -

Members:	Deputy members:
Chair Mr Seppo Juntti	Ms Jonna Sillman-Sola
Deputy chair Ms Terttu Savolainen	Ms Sinikka Malin
Ms Marja Isomäki (Ministry of Finance)	Ms Auli Valli-Lintu (Ministry of Finance)
Mr Jouko Narikka (Ministry of Finance)	Mr Juha Majanen (Ministry of Finance)
Ms Minna Martikainen	Mr Matti Keloharju
Ms Tuulia Hakola-Uusitalo (Ministry of Finance)	Mr Tuomo Mäki (Ministry of Finance)
Mr Kari Parkkonen (Ministry of Employment and the Economy)	Ms Tiina Ingman (Ministry of Employment and the Economy)
Mr Mika Periaho (Union of Local Government Employees)	Mr Jan Saarinen (Union of Local Government Employees)
Mr Olavi Ruotsalainen	Ms Sisko Seppä

Working Life Development Working Group
1 January 2015 – 31 December 2018

Members

Chair
Mr Aki Lindén
Chief Executive Officer of the HUS
Joint Authority

Mr Kari Hakari
City of Tampere

Mr Tapani Hellstén
Keva

Mr Risto Kangas
Negotiation Organisation for Public
Sector Professionals (JUKO)

Mr Jukka Kauppala
Negotiation Organisation for Public
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KoHO ry

Ms Helena Metsälä
City of Pori

Ms Anne Mironen
Union of Local Government Employees

Ms Merja Paananen
Keva

Mr Tapio Ropponen
Keva

Ms Anne Sainila-Vaarno
KoHo ry

Working Group Secretary
Mr Pauli Forma
Keva
(until 30 September 2017)

ORGANISATION 31 DECEMBER 2017

General management

CEO
Mr Timo Kietäväinen

Risk Management and Internal Audit
Headof Internal Audit
Ms Päivi Alanko

Compliance and Administration Unit
Compliance Officer
Mr Markus Mankin

HR Unit
HR Director
Mr Mika Gylén

Communications and Stakeholder Cooperation Unit
Communication Director
Ms Reija Hyvärinen

CRM and Services

Deputy CEO
Mr Kimmo Mikander

CRM Unit
Customer Service Director
Ms Taina Uronen

IT Unit
Information Technology Director
Ms Paula Sivunen

Internal Services Unit
Work Environment Manager
Ms Kristina Vuorela

Legal Affairs Unit
Director of Legal Affairs
Ms Karoliina Kiuru

Pension and Working Life Services

Deputy CEO
Ms Tapani Hellstén

Pensions Unit
Pensions Director
Ms Eija Korhonen

Disability Pensions Unit
Pensions Director
Ms Merja Paananen

Insurance Medicine and Rehabilitation Unit
Director of Medical Affairs
Mr Tapio Ropponen

Working Life Services Unit
Working Life Services Director

Investments

CIO
Mr Ari Huotari

Internal Equity Unit
CIO, Internal Equity
Mr Fredrik Forssell

External Equity Unit
CIO, External Equity
Ms Maaria Eriksson

Alternative Investments Unit
CIO, Alternative Investments
Mr Markus Pauli

Real Estate Unit
CIO,real Estate
Mr Petri Suutarinen

Investment Strategy Unit
CIO, Investment Strategy
Mr Jussi Karhunen

Loans and Investment Management Unit
CIO
Mr Ari Huotari (secondary duty)

Financing and Finance

CFO
Mr Tom Kåla

Pension Payments Unit
Pensions Director
Ms Anneli Kajas-Pätäri

Financial Unit
Financial Manager
Mr Olli Pasanen

Securities Administration Unit
Head of Securities Administration
Ms Johanna Haukkovaara

Middle Office Unit
Head of Middle Office
Mr Juha Soininen

Financing Unit
Director of Finance
Mr Allan Paldanius

PUBLIC SECTOR PENSIONS

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