

PUBLIC SECTOR **pensions**



ANNUAL REPORT 2022

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The English translation of Keva's annual report complies with the Finnish convention with regard to writing figures. This means that in percentages commas rather than decimal points are used and that the separator between whole euros and eurocents is a decimal point.

CEO'S REVIEW: MISSION IN FOCUS IN A CRISIS YEAR

The year 2022 was a year of turmoil. The hopeful direction at the start of the year towards a new normal and rapid economic recovery following the pandemic changed overnight: Russia's invasion of Ukraine in February last year marked the start of a war in Europe and at the same time triggered a new global crisis that brought instability to the economy.

The threat of an energy shortage, rapidly rising inflation and the uncertainty brought about by the war cast gloom over the economic outlook throughout the year. Rising interest rates and the uncertain economic outlook resulted in sharp falls in value levels on the stock and interest rate markets. This state of affairs was also reflected in the performance of Keva's investments, which were 7% into negative territory. Thanks to exceptionally good investment performance in 2021, the market value of Keva's investment assets was fairly high, at around €62.2 billion at year-end 2022. The long-term outlook for the funding of pensions for which Keva is responsible remained stable. Our robust financial position allowed for a reduction in local government and wellbeing services county pension contributions. Keva's Councillors decided the earnings related-pension contributions for 2023 would average 27.4% of the sum of wages and salaries in these sectors.

Good economic development in the early part of the year meant a record high, over 74%, employment rate in Finland and general government finances clearly strengthened. Strong demand for labour meant



CEO Jaakko Kiander

labour shortages in several sectors. In Keva member organisations, this was seen particularly in health and social services and in early childhood education and care.

Keva's statutory duties include reducing the risk of incapacity for work at our customers. Keva's experts supported customer entities in many ways. We are also developing new digital services to help identify various risk factors. The year under review saw the launch of the Sustainable working life project to develop new tools and produce information to support work ability management together with employer customers. The project helps public sector organisations to recover from the corona pandemic and the increased risk of incapacity for work. The project has received a government grant from the Sustainable Growth Programme for Finland funded by the EU's Recovery and Resilience instrument.

The number of full disability pensions is falling in the long term, whereas the number of partial disability pensions has risen. Nevertheless, this can be considered a positive trend: a person on a partial disability pension can work part-time and receive support for impaired work ability. Recent studies have shown good results concerning the rehabilitative significance of work.

Market value of Keva's
investment assets at
year-end 2022 was around

€62.2 bn

Incapacity for work for mental health reasons continues to grow.

The record high earnings-related pension increase entering into force at the beginning of 2023 brought many people's pension plans forward. This was seen at Keva, too, in a large increase in applications for old age pensions and partial early old-age pensions towards the end of 2022.

Despite the rush of applications seen at the end of the year, the processing times of applications for all types of pension at Keva either shortened or remained unchanged compared to the previous year. The fastest processing times were for applications for partial early old-age pensions, where a decision was issued on average in 1 day and decisions on old-age pensions were issued on average in 6 days. Keva processed applications for all pension types 1–8 days faster than private providers on average.

Electronic interaction continued to grow in popularity. We promoted paperless service in many ways during the year and subscriber numbers to paperless services were up by more 80% compared to a year earlier.

Last year, already two thirds of pension applications were made in the My Pension service. Applications for 84% of old-age pensions and up to 95% of partial early old-age pensions were made online. The figure was 37% for disability pensions.

Keva's Board of Directors adopted the updated strategy in June. The new strategy, "Sustainable Keva" defines the main principles, direction and goals of operations towards 2027. This underscores getting back to basics: we address good service for our employee and employer customers, a reduction in the risk of inca-

Our ambition is to be Finland's best earnings-related pension provider in 2027.

capacity for work, cost-effective operations and the most printable investment operations. Our ambition is to be Finland's best earnings-related pension provider at the end of the strategy period in 2027.

Besides the strategy, Keva updated the stakeholder programme and Code of Conduct. These summarise the principles that primarily Keva employees and elected members of Keva's administration comply with every day. These principles are based on Keva's socially significant mission: we provide wellbeing by safeguarding the livelihood public sector employees during their retirement.

We continued developing our operating culture by formulating Keva's cornerstones of good expert work into the cornerstones of leadership. All Keva employees had a chance to get involved in formulating the cornerstones. Together, we agreed that the emphasis in good expert work is on motivating work conviviality, active development, collaboration building and boldness.

Jaakko Kiander
CEO

Report of the Board of Directors 2022



OPERATING ENVIRONMENT AND PENSION SYSTEM OF MEMBER ORGANISATIONS

The year 2022 was one of major turmoil. Instability and uncertainty returned to the economy and stock markets.

The global economy was well on the way to recovering from the pandemic and the Finnish economy, too, was still showing rapid growth during the first half of 2022. As a result, preliminary data shows that annual GDP growth rose by close to 2%.

Russia's invasion of Ukraine in February transformed the outlook overnight. A shortage of electricity, rapidly rising inflation and the geopolitical situation overshadowed the economic outlook and growth waned towards the end of the year. The sharp rise in inflation led to central banks quickly tightening monetary policy. Rising interest rates and economic uncertainty meant the stock markets and interest rate markets suffered major setbacks. This was also reflected in returns on Keva's investments, which were 7% in negative territory.

In 2022, the employment rate in Finland rose to a record high, to well over 74%. The numbers of employed and people in the labour market continued rising to the end of the year, reaching a historically high level. At the same time, the shortage of skilled labour deteriorated in a number of sectors. The labour shortage in Keva member organisations was seen particularly in health and social welfare services and in early childhood education and care, where issues with staff availability made the headlines particularly towards the end of the year.

Strong economic development and the growth in employment in the early part of the year also strengthened general government finances. According to preliminary data, the deficit in general government finances contracted to 0.8% in relation to gross national product (deficit of 2.7% in 2021). Tax revenue in particular rose sharply. The decline in deficit, growth in GDP and rapid growth in inflation resulted in the general government debt to GDP ratio falling for the second year running.

In local government finances, 2022 was the third strong year. According to preliminary data, the municipi-

palities' combined result was EUR 1.3 billion in the black. Strong performance is explained by higher tax revenues and non-recurring property income. The sum of wages and salaries in the local government sector (Keva member organisations) increased by 4.5%.

Mortality increased and was exceptionally high during 2022, whereas the birth rate again sank to historically low figures. All the same, the population of Finland continued to grow as net immigration rose to the highest level, almost 35,000 persons, since measurement started.

Keva's operations and the implementation of its mission continued to be stable. Despite poor investment returns in 2022, the long-term outlook for funding the pensions under Keva's responsibility also remained stable. The healthy situation allowed for a reduction in local government and wellbeing services county pension contributions and in December 2022 Keva's Councillors confirmed a contribution rate of 27.4% for 2023.

Successful preparations for the launch of wellbeing services counties

Keva member organisations made preparations for a historic change in readiness for responsibility for organising healthcare, social welfare and rescue services transferring from municipalities to the new wellbeing services counties at the beginning of 2023. The wellbeing services counties became Keva member organisations. In the same context, funding responsibility for healthcare, social welfare and rescue services was transferred from the municipalities to the state, which resulted in a halving of local government finances compared to earlier.

The first wellbeing services county elections were held in January 2022. Despite the tough timetable to launch the operations of the wellbeing services counties, they got off to a largely successful start.

Whereas the reform does not affect the pension cover of employees in the municipalities and wellbeing services counties, it meant more than twenty large

customers for Keva. Keva supported the formation of the wellbeing services counties by providing information and tools to support management, pension insurance and workplace wellbeing. Cooperation got off to a smooth start.

Change in contribution structure of Keva member organisations

The start-up of the wellbeing services counties brought with it a change in the contribution structure of Keva member organisations. Since the start of 2023, the contribution is based on the TyEL level contribution based on earnings as well as on a balancing payment that has replaced the old pension-based contribution. The balancing payment is paid by the municipalities and wellbeing services counties and is independent of wages and salaries paid.

Exceptional index increase boosted pension applications

The Ministry of Social Affairs and Health confirmed the 2023 earnings-related pension index in October 2022.

Higher inflation resulted in an exceptional increase, 6.8%, in the earnings-related pension index. The increase was the highest during the existing earnings-related index since 1996. The high increase received much publicity and caused pension applications from an exceptionally large number of people who had reached pension age. The biggest rush was for partial old-age pensions, applications for which were up 154% in Keva in 2022.

Increased of importance of investment returns and their risks in the pension system

In October 2022, the Finnish Centre for Pensions published new long-term calculations. According to these new calculations, the outlook for pension funding had improved in both the public and private sectors compared to earlier. The improved outlook was above all against a background of good investment returns in 2020 and 2021, as a result of which the funds and their future returns are greater than earlier. At the same time, the risks associated with the performance of the funds

Sustainable Keva

VISION

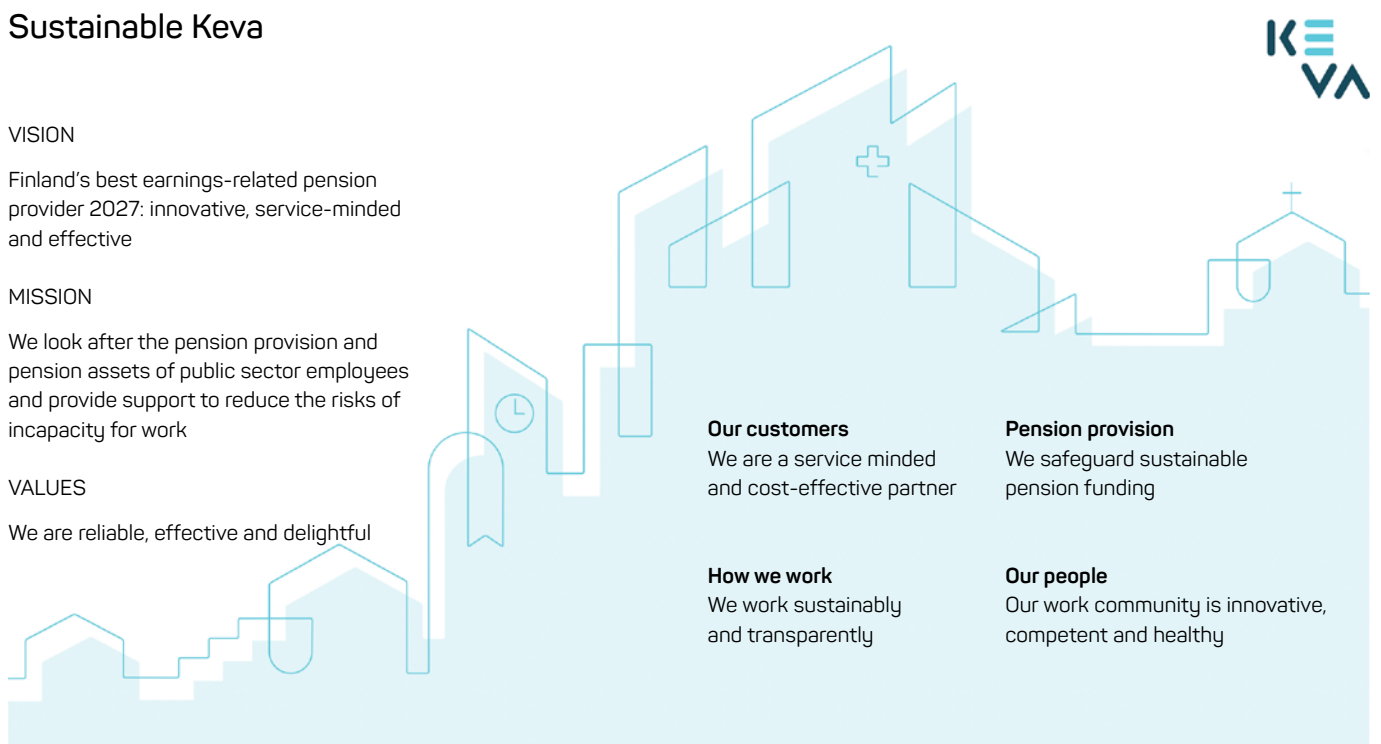
Finland's best earnings-related pension provider 2027: innovative, service-minded and effective

MISSION

We look after the pension provision and pension assets of public sector employees and provide support to reduce the risks of incapacity for work

VALUES

We are reliable, effective and delightful



and in turn the risks associated with the fluctuation in the contribution level are greater than earlier and the outlook can change quickly.

Keva's strategy updated

Based on thorough preparation, Keva's Board of Directors decided on the updated strategy in June 2022.

The new strategy "Sustainable Keva" defines the main principles, direction and goals of operations until 2027. At the core of the new strategy is Keva's mission – looking after the pension cover and reducing the risks of incapacity for work – quality implementation. The vision is to be Finland's best earnings-related pension provider at the end of the strategy period in 2027.

Also in June 2022, Keva's Board of Directors decided on the new funding and contribution principles

of Keva member organisations' pension system to safeguard sustainable pension funding and to promote the stability and predictability of the pension contribution level in the longer term.

Also in 2022, Keva's Code of Conduct was updated when the Board of Directors adopted the new Code in August. The update resulted in 10 condensed principles based on Keva's nationally important task: we ensure wellbeing by safeguarding the livelihood of public sector employees during their retirement. The message of the Code of Conduct is aimed primarily at all Keva employees and elected members of Keva's administration.



CUSTOMER RELATIONSHIPS

Employee customers contact us increasingly online

Keva manages the earnings-related pension services of around 1.3 million public sector employees and pension recipients, with around 720,000 insured employees and 614,000 pension recipients.

During 2022, service for employee customers switched increasingly to the My Pension online service. The exceptionally large index change triggered record service demand in all service channels, especially in the fourth quarter of last year. The self-service rate, which describes the ratio of customer self-service to personal service, was 88.7% for the full year.

During 2022, the reforms made to employee customer services were consolidated and improved. The development of services and service processes was heavily knowledge based and during the year Power BI reporting and AI-based analytics enabled the use of increasingly detailed customer information. Customer information was used to strengthen customer understanding and in proactive communication by, for example, sending an information package automatically to the e-service to those entitled to partial early old-age pension.

Development processes were updated and operating models were created for, among other things, the effective analysis and utilisation of customer feedback in the development of services. Customers were included in development work and a start was made on upgrading customer panel activities during the year.

During 2022, new functionalities, including in appeal and rehabilitation services as well as more details for the employment record, were added to the My Pension service interface. A Swedish-speaking advisory robot was also introduced to the service. During the year, a start was made on upgrading the interface message service and work continued on updating the application service.

The priorities of customer guidance in 2022 were on increasing e-interaction in the My Pension service and increasing the paperless service. Using communications and campaigns, customers were strongly steered to become users of online services. Subscriber numbers to

paperless services increased by more than 80% during the year.

During the year, Keva also rolled out document processes in the Suomi.fi channel. The document process was also piloted with the MyTax service in a bid to improve the reach of statement customers.

The narrower service window piloted earlier in the telephone service for employee customers was well received and so became established. In addition, routing of calls was further improved with the goal of solving the customer's query in one go.

During 2022, Keva's advisory numbers for employee customers took 133,000 calls, with around 80% of these calls concerning general pension advice and the remainder payment and work ability matters. Calls related to general pension advice and payments decreased by a total of around 8%. For the whole year, the steady decrease in calls earlier in the year turned to a rush in preliminary advice in questions on index matters and partial early old-age pension, particularly in October-November.

Keva produced 9 pension info event webinars for employee customers. The info events reached around 7,600 customers and customer satisfaction with the events averaged 4.3/5.

Use of online services showed steady growth during 2022, particularly during the last quarter of the year. In 2022, Keva's websites were visited almost 3 million times (2,964,860 site visits). The number of website visits showed brisk, almost 29%, growth. The most popular keva.fi website was again the My Pension service content site, which accounted for just over half of site visits.

Log ins to the actual My Pension service showed significant growth, especially during the last quarter of the year. The service had around 1.64 million log ins, up by around 44% compared to 2021.

Enquiries from around 62,360 employee customers were answered with messages through the online service. The advisory robot Ilona answered customers' questions on the website. There were around 48,000 chats with Ilona, who was to provide the answer in around 88% of cases.

Keva collected customer feedback extensively in different service channels. During 2022, more than 50,000 feedback comments were received from employee customers. A new feedback survey was introduced at the start of the year and sent to all customers receiving a pension or benefit decision. The new survey significantly increased the feedback received. Feedback was continuously reviewed and changes were made to services accordingly.

We used the customer effort score (CES) as the metric to measure how much effort customers put in to interact with us. In 2022, an average of 88% of customers submitting feedback found interacting with us to be effortless. Our telephone advisory service received a particularly high score of more than 92% and the service was particularly commended for its competence and friendliness.

Employer customer relationships

At year-end 2022, Keva had a total of around 2,000 employer customers, slightly more than half of which were local government organisations and just under 600 were State employers. The remainder were parish

or parish union employers. In addition, Social Insurance Institution of Finland Kela and the Bank of Finland are employer customers.

For Keva's employer customers, 2022 was a hectic one with regard to preparations for key reforms. The municipalities and new wellbeing services counties prepared for the health and social services reform, the largest reform in the history of the public sector, while the corona pandemic was still present and it was still possible to catch up on the care debt in health and social services reform. The reform of TE-services in 2024 has already now been reflected in preparations by our customers. The greatest single issue, almost invariably highlighted in customer meetings, is the acute labour shortage that is a problem affecting the whole country and various sectors. This is reflected concretely also in expectations and hopes towards Keva as work ability management has appeared more strongly on the agendas of management of various customer organisations.

The organisational reform in employer services completed in 2020 has been systematically carried forward and deepened. The multivocational teams formed to develop the overall service and customer experience of employer customers were revised and expanded. This was done against a background of bringing customer managers doing customer work, vocational rehabilitation and disability decision-makers as well as Keva's statistical skills and digital services developers, into multivocational teams. In the same context, the composition and customer responsibility of multivocational teams was changed so as to take account of the wellbeing services counties launching at the beginning of 2023. Since last May, all wellbeing services counties and the City of Helsinki have been concentrated around one multivocational team.

The health and social services reform was very visible in work done with employer customers in 2022. Between autumn 2021 and spring 2022, Keva's employer customer relationship management met with the preparation of the wellbeing services counties. Keva also had its own project aimed at ensuring that we had built the capacity with which all organisations eligible

Employer customers 31 Dec 2022	Number
Municipality and wellbeing services county employer customers	1 107
Municipalities and cities	309
Joint municipal authorities	128
Wellbeing services counties and joint county authorities for wellbeing services	24
Limited liability companies	623
Associations and foundations	18
Other local government organisations	5
State employer customers*	571
Church organisations	264
Kela employer customers	1
Bank of Finland organisations	2
Total	1 945

* Employers who are also in other earnings-related pension systems (mostly in the local government sector) have been subtracted for the number of State organisations. This means the same employer customers appear only once in the total number of employer customers.

for Keva membership belonging to wellbeing services counties' corporations apply to become Keva member organisations and that the functioning of services planned for them has been ensured.

Another key matter in employer customer relationships has been ensuring the successful launch of the Sustainable working life project. A joint project between Keva and the Ministry of Finance, the project has been granted government aid and is related to the Sustainable Growth Programme for Finland funded out of the EU's recovery and resilience instrument. The aim of the project is to enable public sector employers to recover from and build resilience to the corona pandemic and increased risk of incapacity for work as well as to promote human resources and risks in an optimal way taking into account the development of work ability management and to strengthen knowledge-based management in the public sector. During autumn 2022, the project was presented to interested customers of member organisations and kindled widespread interest. The focus of the project is on sectors where we assess there to be the greatest pressures of risks of incapacity for work and change: health and social services, teaching (early childhood education and care, basic and secondary education) and the state security sector. Keva's largest member organisations were included in the different projects and a start will be made in 2023 to take these vigorously forward. It is worth mentioning that more than ten new wellbeing services counties and the six largest cities are involved.

The employer customer survey carried out in late autumn 2022 showed that 84% of our employer customers considered that Keva has succeeded in serving them well or excellently. Satisfaction has again risen slightly compared to a year earlier. From the customer perspective, Keva's strengths are smooth cooperation and expertise. Pension provision works as customers expect and is highly commended. Open feedback showed Keva to be successful in communication and the tools provided for work ability management and, among other things, webinars. Success in work ability management is becoming increasingly more important for customers and there are also growing expectations

of Keva on this front. Examined from the customer segment perspective, the overall grade is very even. The main conclusion of the survey was that the services Keva provides seem to correspond well with customer needs and expectations.

Multichannel customer cooperation

Keva has reached and established a strong online way of working in customer cooperation, with more than 80% of customer work now taking place online. Customer work during the past year focused on major challenges in customers' operating environments such as preparation work for the wellbeing services counties and reform of the municipalities, workforce retention and availability issues and multilocation working arrangements together with the associated incapacity for work risks and pension insurance perspectives.

Cooperation based on customer needs took place through active multichannel contact, communication, services to support reducing the risks of incapacity for work as well as advice and guidance related to pension insurance. There was a similar number of customer meetings as in 2021 and most of these concerned the topic of planning cooperation and solutions to reduce the risks of incapacity for work.

The quality of customer cooperation was improved by systematising the cooperation process and expanding the competence of experts in the direction of hybrid job descriptions that combine service provision in customer relationship management and work ability management. Summer 2022 saw the end of personnel coaching related to the overhaul of customer cooperation processes, which had lasted for around a year. Service models were launched for customer cooperation work and the competence of experts was expanded by utilising ways of working that share expertise.

Development of digital services based on customer needs

The Employer online service allows customers to deal with pension insurance matters, obtain statistical data and to deploy tools for, among other things, managing work ability risks. The online service is growing in

importance as a communications channel and most employers already use it, with user numbers and usage activity increasing during the year. Use of the message functionality in particular increased, with hundreds of customers switching to it in 2022 to receive mail sent from Keva. Development of the service especially focused on ease of use, for example updating contact information relating to the processing of pension applications and communication.

The Key Data online service, which compiles public sector disability costs was further expanded. By the end of 2022, 892 organisations, of which 208 were State and Evangelical Lutheran Church organisations, had introduced the service. User friendliness of the service was improved by making the service instruction pages, diagrams and their functionality clearer.

Compared to 2021, there was a rise of around 40% in the number of questions posted by Keva's employer customers in the Survey service, which supports the development of workplace wellbeing and work ability management. A new survey, Health and social services reform and change support was published in the service. In addition, several new features were added to the monitoring and benchmarking features of the survey and usability of the service was improved.

The digital Learning environment for work ability management continued to expand in 2022. The service enables competence development irrespective of time and place and supports the use of other digital working life services. During 2022, three new learning modules were published and eight earlier modules were updated with new content. The number of orders for access rights increased by 22% last year. Customers are very interested in the service, which can be seen, for example, in sub-projects in the Sustainable working life project that launched in 2022. Related to utilisation of the Learning environment, customer organisations was where the project sparked the greatest wish to be involved.

Use of the work ability paths game further increased. The digital learning game makes visible the work ability support processes and actors' cooperation. The game also illustrates the opportunities that

exist to impact the costs of incapacity for work. A new character, whose health restriction is a mental illness, was developed for the work ability paths game in 2022 in response to the growing mental health challenges in workplaces. The new character will be added to the game in 2023.

Continued strong cooperation through networks

The development and establishment of network services as part of support for customer work ability management continued in line with the strategy. In the national, regional and change network of HR preparers supporting the preparation of the wellbeing services counties headed by Keva, customers received and shared ideas, business models and learnings to strengthen work ability and develop operations in their own organisations. Customer organisations that had received workplace wellbeing promotion grants also networked actively under Keva's leadership.

The number of customer organisations joining networks and participating in events rose sharply in 2020-2021 and levelled off in 2022. Again, dozens more organisations joined the networks, totalling 684 member organisations. However, the slight decrease in participation activity in events is likely because of wellbeing services county preparation.

Increased organisation-specific consultation on work ability management was carried out starting with customer situations and needs at different depth levels as part of organisation-specific customer plans. As part of the service provided by an expert, the aim was also to motivate and orient customers to using the self-service learning environment, learning game, Key Data and personnel surveys.

Keva's extensive offering for employer customers and stakeholders took place mainly through webinars to reduce the risk of incapacity for work and promote straightforward earnings-related pension insurance and Keva partnership. Webinars were aimed among other things at HR and finance management, supervisors and HR actors, pension liaison employees, occupational healthcare and trade union actors. There was a reduc-

tion in the number of event offerings aimed at employer customers and the growth in attendee numbers was reached. The number of organisational participants rose by 5% and individual participants by 11%. Customer experience of webinars was at a good level, as was the case last year.

The theme of the Keva day was "Work as a builder of wellbeing". A total of 1,010 persons, over 30% more than a year earlier, took part in the event online.

Regarding partnership cooperation, Keva continued the EKJ coaching programme for local government supervisors and middle managers with the Association of Finnish Local and Regional Authorities, Local Government and County Employers KT and FCG. During the year under review, Keva continued to be involved in the Työ 2.0 Lab network, which is a new kind of central government co-working facility, which acts as a physical and mental platform for multidisciplinary co-development. Last year saw network cooperation being taken to a new level with the help of a new separate ecosystem school, in which experts from Keva also took part.

Development funding and research activities

Workplace wellbeing promotion grants are competitive funding which enables innovative and effective workplace development activities to reduce work ability risks in the local government sector and the Evangelical Lutheran Church. We received 38 applications for wellbeing promotion grants, which is fewer than earlier. At the proposal of the panel evaluating wellbeing promotion grant applications, a total of EUR 600,000 was shared between 22 Keva employer customers. The ambition of projects receiving grants in 2022 is to safeguard communality, strengthen competence and anticipate competence needs in situations of organisational change, improving personnel professional and wellbeing skills and strengthening the employee experience to support work ability. Management development shows an even greater emphasis on work ability management. The application process for workplace wellbeing promotion grants was developed during 2022 and the changes will become effective in applications in 2023.

Research data on work ability management and occupational health cooperation as well as the costs of incapacity for work were published on the Kevatutkii website.

Keva published a study on work ability management and occupational health cooperation. The study provided information on how public sector organisations support the work ability and careers of their employees by management means and in cooperation with occupational health. Together with the Association of Finnish Municipalities, Keva carried out a study on the workplace wellbeing of municipal managers. In addition, Keva once again mapped the trend in sickness absences in different occupations and age groups in the local government sector in the Key Data service in 2019–2021. The results were communicated and a webinar was held in cooperation with the Finnish Institute of Occupational Health and the Social Insurance Institution of Finland Kela. Besides this, Keva published a statistical study on Work and retirement, where the overlapping of work and retirement among pension recipients under the age of 68 was examined based on register data.

Keva intensified research collaboration in particular with the Finnish Institute of Occupational Health and Tampere University. Four studies were underway in 2022 in which Keva was a member of the steering group. In addition, Keva funded Statistics Finland's Work Life survey and serves in its expert group.

In addition, Keva was commissioned to undertake two studies related to work ability risk. One of these studies explored the views of municipal decision-makers of labour availability, the processing of workplace wellbeing issues in workplace wellbeing issues in municipal strategies and decision-making and the other was about pensioners working and the pension awareness of citizens. In addition to these, a report commissioned on the national and county needs based on Keva's retirement forecasts was published in 2021. The report combined regional training place data and labour statistics with Keva's pension statistics.



CONTRIBUTION INCOME

At year-end 2022, some 574,000 employees were insured under Keva member organisations' pension system. This was around 1.8% more than a year earlier. The sum of wages and salaries of member organisations was EUR 20,345 million, which was EUR 883 million (4.5%) more than in 2021.

Contribution income paid by Keva member organisations in 2022 totalled EUR 5,677 million (2021: EUR 5,489m), which was 27.9% (2021: 28.18%) of the sum of wages and salaries. Year on year contribution income was up EUR 187 million (3.4%). Contribution income consists of two components, the earnings-based employer and employee contribution as well as the employer expenditure contribution based on pension expenditure.

Keva collected earnings-based contributions of EUR 4,964 million, up EUR 215 million or 4.5% year on year. Employees contributed around EUR 1,540 million and employers around EUR 3,424 million.

The earnings-based contribution averaged 24.40% of pay, the same as a year earlier. The allocation between employer and employee percentages were also the same as a year earlier. Employers paid 16.83 bp of the contribution and employees an average of 7.57 bp. The employee earnings-based contribution varied, with employees under the age of 53 and over the age of 62 paying 7.15% and employees aged 53-62 paying 8.65%.

In accordance with the decision of Keva Councillors, Keva charged its member organisations EUR 713 million in pension expenditure-based contributions, which

Contributions from Keva member organisations, % 2013–2022

Year	Earnings-based contribution		Pension expenditure-based contribution %	Early retirement expenditure-based contribution %	Total %
	Employer's contribution %	Employee's contribution %			
2022	16,83	7,57 ¹	3,50		27,90
2021	16,82	7,58 ²	3,78		28,18
2020	16,83	7,57 ³	3,99		28,39
2019*)	17,25	7,15 ⁴	3,89		28,29
2018	16,75	6,78 ⁵	3,75	0,98	28,26
2017	17,05	6,59 ⁶	3,94	0,88	28,46
2016	17,10	6,19 ⁷	5,21	0,90	29,40
2015	17,20	6,19 ⁸	5,62	0,80	29,81
2014	16,85	6,03 ⁹	6,03	0,91	29,82
2013	16,45	5,58 ¹⁰	6,64	0,91	29,58

* Total earnings-based contribution from 2019 onwards (change in contribution structure), the earnings-based contribution includes the disability pension contribution.

¹ 7,15 % for persons aged under 53 and 63 or over, and 8,65 % for persons aged 53-62

² 7,15 % for persons aged under 53 and 63 or over, and 8,65 % for persons aged 53-62

³ 7,15 % for persons aged under 53 and 63 or over, and 8,65 % for persons aged 53-62

⁴ 6,75 % for persons aged under 53 and 63 or over, and 8,25 % for persons aged 53-62

⁵ 6,35 % for persons aged under 53 and 63 or over, and 7,85 % for persons aged 53-62

⁶ 6,15 % for persons aged under 53 and 63 or over, and 7,65 % for persons aged 53-62

⁷ 5,70 % for persons aged under 53 and 7,20 % for people aged 53 or over

⁸ 5,55 % for persons aged under 53 and 7,20 % for people aged 53 or over

⁹ 5,55 % for persons aged under 53 and 7,05 % for people aged 53 or over

¹⁰ 5,15 % for persons aged under 53 and 6,50 % for people aged 53 or over

equated to 3.5% (2021: 3.78%) of the sum of wages and salaries. The contribution was EUR 22 million less (-3%) compared to a year earlier.

Financial support is a benefit equivalent to group life insurance paid to the beneficiaries of a deceased member organisation officeholder or employee. At year-end 2022, 757 member organisations had arranged for financial support through Keva. Keva collected roughly EUR 5.9 million in financial support contributions in 2022, EUR 1.7 million less than a year earlier.

Keva received around EUR 137 million in premium income, EUR 73 million less than in 2021, from the Unemployment Insurance Fund.

By law, Keva is also responsible for the calculation and collection of pension contributions from the State and Evangelical Lutheran Church. Keva collects the contributions directly in the State Pension Fund's and Central Church Fund of Finland's bank accounts, but Keva is responsible for all the associated practical measures. In 2022, Keva collected around EUR 1,610 million in pension contributions for the State and around EUR 148 million for the Church. State and Evangelical Lutheran Church pension contributions are not recognised in Keva's accounts or financial statements.



PENSIONS AND BENEFITS

Further improvement in the processing of pension applications was seen in 2022. Keva reached processing time targets in all types of pension. The level of service measuring uninterrupted income also improved and was well above target. Customer satisfaction among the insured remained at an excellent level.

The percentage of online applications again showed considerable growth and in 2022, around 63% (2021: 57%) of pension applications were made electronically in Keva’s My Pension service. On top of this, a further 6% of pension applications arrived electronically via Kela, for example. We significantly addressed promoting a paperless service in other respects, too.

The number of partial early old-age pension decisions increased by around 6,600 or 154% and old-age pension decisions increased by around 3,300 or 14% in 2022. The reason for this was the exceptionally high increase in the earnings-related pension index in the beginning of 2023.

In the survivors’ pension reform that entered into force at the beginning of 2022, the child’s right to survivors’ pension was extended by two years and, subject to certain criteria, a surviving common-law spouse is entitled to a surviving spouse’s pension. The number of survivors’ pension decisions increased by around 1,100 or 21%.

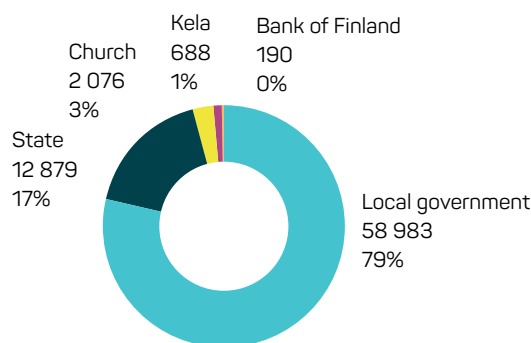
There were no major changes in the overall numbers of disability pension decisions, but applications for new disability pensions were up 9%.

The number of applications for vocational rehabilitation decreased by around 1,400 or 18%. The decrease in the number of applications for vocational rehabilitation and the increase in the percentage of applications rejected can be seen across the earnings-related pension sector. The wellbeing services county reform entering into force on 1 January 2023 may have contributed to the decrease in the number of applications for vocational rehabilitation in the public sector at the end of 2022. This major organisational change may have delayed the instigation of work ability processes.

Applications received and decisions issued

In 2022, Keva issued a total of 74,816 decisions, 68,296 of which concerned actual pension matters, 6,182 rehabilitation decisions and the remaining 338 concerned benefits such as financial support. Keva received 75,098 applications, 68,304 of which concerned actual pension matters. Application numbers were up 15.7%.

Decisions issued by Keva by pension system



In addition, Keva issued 3,585 automated decisions on the pension accrued alongside the old-age pension. In these cases, this pension had already been applied for in conjunction with taking old-age pension.

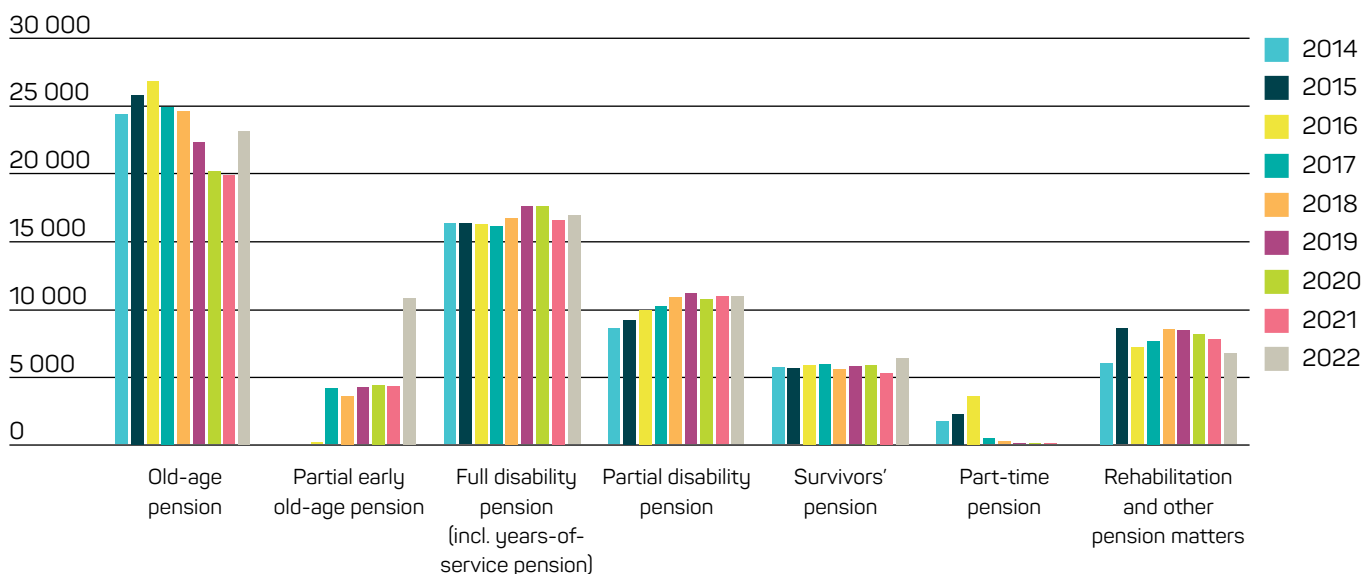
The figures include all local government, State Church and Kela’s salaried employees and, since 2021, applications concerning Bank of Finland pensions (including other benefits) and the decisions issued.

By far the highest number of decisions concerned local government pensions: 58,983 or 78.9% of all decisions issued by Keva. Keva issued 12,879 decisions concerning State pensions, 2,076 decisions concerning Church pensions, 688 decisions concerning Kela’s salaried employees and 190 decisions concerning Bank of Finland pensions.

Detailed tables by pension system are appended to this annual report.

The number of applications arriving electronically via the My Pension online service continued to increase. A total of 83.7% (2021: 81.5%) of old age pension applica-

Number of applications received by Keva by pension type



tions and 37.4% (36.1%) of disability pension applications were received electronically via the My Pension service. A total of 94.5% (92.3%) of partial early old-age pension applications were made electronically. Of all applications, 63.2% (57.2%) arrived electronically the My Pension service. On top of this, a further 6.2% of all pension applications arrived electronically via Kela's online system, for example.

Faster pensions processing

Processing times of all pension types were either shorter or remained unchanged compared to a year earlier. The service level indicator shows that 95.8%

(94.3%) of decisions were issued on time.

Keva processed old-age pensions in an average of 6 days and disability pensions in an average of 28 days. The fastest times were for the processing of partial early old-age pensions, with decisions being issued in an average of 1 day. Survivors' pensions were processed in an average of 8 days and rehabilitation decisions in an average of 14 days. Keva processed applications for all pension types 1-8 days faster than private providers on average.

A total of 47,311 decisions were issued concerning new applications and 43,304 of these were positive decisions. The increase was 24.7% compared to a year earlier.

Total processing times for applications in days

Pension type	2022	2021	Change days	Private providers 2022
Old-age pension	6	8	-2	7
Partial early old-age pension	1	2	-1	2
Disability pension	28	30	-2	31
Survivors' pension	8	8	0	16
Rehabilitation	14	14	0	15

Source: Finnish Centre for Pensions

Keva issued 74,816 decisions or 8,504 more than in 2021 (up 12.8%). The increase was in old-age pensions, partial early old-age pensions and survivors' pensions. The exceptionally high earnings-related pension index boosted pension applications since it encouraged large numbers of people who had reached the old-age pension and partial early old-age pension ages to apply for their pension towards the end of the year.

Keva issued 23,211 old-age pension decisions, 14.3% more than a year earlier. In addition, the number of automated decisions, 3,585, issued alongside old age pensions was up 50.8%. In these cases, a pension had already been applied for in conjunction with old-age retirement.

There were 10,861 partial early old-age pension decisions, up 154% and 6,585 more than a year earlier, and 60% of these decisions were issued during October-November. Of the decisions, 66.4% concerned a pension of 50%. The remainder of decisions were issued for a pension of 25% or a switch from a 25% pension to a 50% partial early old-age pension.

There were 6,351 survivors' pensions processed, 20.7% more than in 2021. In the survivors' pension reform that entered into force at the beginning of 2022, the child's right to survivors' pension was extended by two years and, subject to certain criteria, a surviving common-law spouse is entitled to a surviving spouse's pension.

A total of 27,863 disability pension decisions were issued, 2.6% fewer than a year earlier. There was a slight fall both in full and partial disability pensions. There was a sharper decrease, 18%, in the number of rehabilitation decisions, which totalled 6,182. There were 338 other decisions issued, primarily for financial support, up 16.6%.

Disability pensions and vocational rehabilitation

Despite the slight fall in disability pension decisions, slightly more, 1.3%, disability pension applications, 27,906, were received compared to a year earlier. The increase was in full disability pensions (3.5%), rehabilita-

tion allowances (1.4%) and years-of-service pensions (68.4%).

Keva received 64 applications for years-of-service pension last year. On the other hand, Keva received a similar number of applications (0.1% fewer) for partial disability pension and partial rehabilitation allowance applications.

Examined by application types, the increase in disability pension applications was for new full disability pensions (including rehabilitation allowances and years-of-service pensions, 6,010 applications, up 7.4%) and in decisions for extended partial rehabilitation (2,191 applications, up 8.2%). On the other hand, there were fewer preliminary decisions (-7.8%) for partial disability pensions (including partial cash rehabilitation benefits) and payment decisions (-5.3%). Likewise, there was a fall (-1.9%) in the number of decisions to extend full disability pensions.

There were 6,182 rehabilitation decisions, down 18% and likewise 15.1% fewer applications were received than a year earlier.

Of the positive decisions on the right to vocational rehabilitation, 47.8% were issued in conjunction with the processing of a disability pension matter and 52.2% were based on customer applications.

Number of all decisions by pension type

Type	2022	2021	Change %
Old-age pension	23 221	20 324	14,3
Partial early old-age pension	10 861	4 276	154,0
Full disability pension (incl. rehabilitation allowance and years-of-service pension)	16 823	17 250	-2,5
<i>of which new decisions</i>	5 792	5 742	0,9
Partial disability pension (incl. partial rehabilitation allowances)	11 040	11 359	-2,8
<i>of which new or preliminary decisions</i>	4 095	4 441	-7,8
Survivors' pension	6 351	5 261	20,7
Other pension matters	338	301	12,3
Rehabilitation decisions	6 182	7 541	-18,0
Total	74 816	66 312	12,8

In 2022, 63.4% of decisions on rehabilitation interventions involved workplace rehabilitation or work try-outs or job coaching, 19.4% of interventions concerned training and 16.8% assessment by the rehabilitation service provider. Of the work try-outs, 37% were in the employee’s own job and 63% sought a change in the job description. Of the rehabilitation interventions completed, 71.7% were successful, with the persons rehabilitated able to be available on the labour market after completing the programme.

Keva rejected 29.8% (26.8%) of new applications for disability pension. The average rejection rate by private pension providers for new applications for disability pension was 38.3%. The rejection rate for rehabilitation decisions was 42.7% (32.7%) compared to 48% by private pension providers.

Keva tendered rehabilitation service providers and chose 14 new partners, who began at the beginning of 2023. At the same time, the content of the rehabilitation instructor was expanded and the process reformed in many ways. The review service for persons whose disability pension application was rejected was expanded to also include persons whose application for vocational rehabilitation was rejected.

Pension decision rectification procedure

In 2022, Keva processed a total of 1,543 appeals filed with the Pension Appeal Board against Keva’s own decisions in the “self-rectification” procedure. Of these, 1,293 concerned work ability assessment. Keva rectified a total of 13.7% (2021: 14.8%) of all appeals and 13.9% (2021: 16.3%) of appeals concerning work ability assessment. The remaining appeals were submitted to the Board for consideration.

In 2022, Keva also processed 89 appeals filed with the Insurance Court concerning decisions issued by the Pension Appeal Board. Of these appeals, 80 concerned work ability assessment and Keva rectified 7.5% (2021: 4.2%) of these.

The Pension Appeal Board revised 8.1% (2021: 13.5%) of all the rejections issued by Keva that it considered. The percentage of disability pension matters revised was 11.7% in the case of Keva and 10%

in respect of all pension providers. The Insurance Court revised 20.8% (2021: 13.7%) of Keva’s decisions that had been appealed.

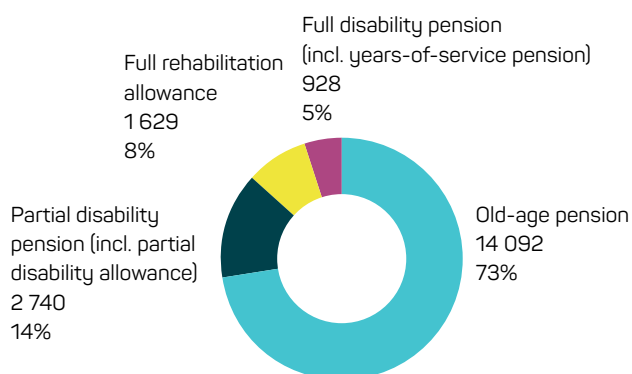
Persons retiring

A total of 19,389 employees retired from the service of local government, the State, the Church, Kela and the Bank of Finland. The average age of persons retiring was 62 years, which is 0.6 years higher than a year earlier. The average age of employees retiring did not fall in any pension type.

The percentage of persons retiring on an old-age pension was 72.7% of all persons retiring. The average age of persons retiring on an old-age pension in 2022 was 64.5 years, which was 0.3 years older than a year earlier.

The average age of persons retiring on a full disability pension was 60.1 years (0.2 years older), those retiring on full cash rehabilitation benefit was 50 years (0.2 years older) and those retiring on partial disability pension (including partial rehabilitation allowance) was 57 years (0.2 years older). Also persons starting to receive new partial disability pension are counted as having retired even though they continue to work alongside drawing a pension. Years-of-service pension was started at an average age of 63.1 years.

Percentage of persons retiring by pension type



A total of 5,297 employees retired on a disability pension, 1.4% fewer than a year earlier. Musculoskeletal disorders were the most common reason for disability and accounted for 38.3% (2021: 35.3%) of primary disorders in people retiring on a disability pension.

Whereas the amount of musculoskeletal disorders was up 7% compared to a year earlier, a change for the better was seen in the amount and onset of mental health disorders. A total of 1,574 public sector employees retired due to mental health disorders, 10.6% fewer than a year earlier. Mental health disorders were the primary reason for retirement on a disability pension in 29.7% (2021: 32.7%) of cases.

Expected effective retirement age depicts the age at which employees currently aged 25 would on average retire if future retirement patterns remain exactly the same as in the year under review. The expected effective retirement age for a 25-year-old employee was 62.2 years (2021: 61.8 years) in local government service and 62.9 years (2021: 63 years) in central government service (excluding military personnel).

Pension specific tables are appended.

Pensions paid

The total pension expenditure (including financial support and rehabilitation) of Keva member organisations in 2022 was EUR 6,192 million, up by EUR 277 million or 4.7% compared to 2021. At year-end 2022,

there were around 436,000 pension recipients in the local government sector, slightly under 3% more than a year earlier.

In 2022, Keva paid out EUR 4,982 million in State pensions, up EUR 103 million or 2.1% compared to a year earlier. At year-end 2022, there were around 233,000 State pension recipients, around 2% fewer than a year earlier. Keva paid out around EUR 234 million in Evangelical Lutheran Church pensions, up by just under 5% compared to a year earlier. The corresponding pension expenditure on pensions for Kela's salaried employees was around EUR 114 million, up by around 5% compared to a year earlier. Keva assumed responsibility for the implementation of Bank of Finland employees at the start of 2021. Keva paid out around EUR 29 million in these pensions in 2022, up by around 2% compared to a year earlier.

The State, Evangelical Lutheran Church, Kela and the Bank of Finland funded their own pensions by paying Keva a monthly advance payment determined by the Ministry of Finance. At the end of the year, this advance is then aligned with actual pension expenditure. For 2022, Keva will return around EUR 49 million to the State and EUR 0.4 million to the Bank of Finland. The Evangelical Lutheran Church will pay an additional EUR 3.4 million and the Social Insurance Institution of Finland Kela will pay EUR 0.5 million. These adjustment items were recognised in the financial statements as adjustments to advance payments.



INVESTMENT OPERATIONS

As 2022 began, the previous year marked by the corona pandemic with the rapid collapse of equities experienced in the early part of 2020 was behind us. However, supported by central banks and other public actors, risky parts of the markets embarked on an unprecedentedly rapid correction movement. In the end, at year-end 2020, the markets were again hitting a number of new record highs.

The positive market trend continued in 2021. The year saw a few periods when the markets retreated slightly in risky investments, but these periods were short-lived. Overall risk-taking was handsomely rewarded in 2021.

As we entered into 2022, interest rates were still historically low. The stock markets have had many good years behind them since the financial crisis. Nevertheless, inflation had already begun to raise its head in 2021 and on quite a broad front. There was some concern in the capital markets about the growth and sustainability of the global economy. There was also uncertainty about political and partly military stability in different parts of the world. Accelerating inflation became a growing cause for concern and with it the potential rise in interest rates.

Then in February 2022, something occurred which had already certainly been foreshadowed but which we did not want to believe would happen. A war broke out in Europe when Russia invaded Ukraine. Russia's action escalated the record rise in energy and food prices globally. Whereas food prices had already been on the growth trajectory for some years, the conflict greatly accelerated this. Among other things, this led to a deterioration in reducing global poverty, where progress had been made in the past few decades.

The sharp rise in inflation quickly resulted in most central banks raising their key interest rates. This in turn triggered concerns about the development of the global and national economies. The year 2022 passed as the market pondered the possible actions of central banks and the future economic outlook. The year was an exceptional one, because both stock and interest markets suffered major setbacks at the same time.

Investments at fair value

	€m	%
Fixed income investments	18 003	28,9
Equity investments	23 456	37,7
Real estate investments	4 761	7,6
Private equity investments	11 561	18,6
Hedge funds	4 455	7,2
Total	62 235	100

Forex allocation of investments at fair value

	€m	%
EUR	26 392	42,4
USD	32 146	51,7
JPY	2 229	3,6
GBP	280	0,4
SEK	880	1,4
CHF	97	0,2
Other	212	0,3
Total	62 235	100

Geographical allocation of investments at fair value

	€m	%
Europe (excl. Finland)	19 723	31,7
North America	19 951	32,1
Finland	8 110	13,0
Emerging markets	8 864	14,2
Japan	2 222	3,6
Other	3 366	5,4
Total	62 235	100

Keva had a tough investment year in 2022, as did almost certainly all other pension investors. Keva systematically reduced its overall risk level throughout the year, which certainly somewhat helped in a difficult year. Nevertheless, the overall result was well into negative territory as were the markets. As far as the resilience of the pension system is concerned, in a year of general market crisis, particular attention was given to ensuring both short- and long-term liquidity.

Keva's investments had a market value of EUR 64,474 million at the start of 2022 and a market value of EUR 59,916 million at the end of 2022. The market value of investments used to calculate the return includes not only the above assets but also transferred interest included in accrued income as well as other items totalling EUR 2,319 million. Taking into account these items, the market value of the tied-up capital totals EUR 62,235 million. This breakdown of imputed returns has been used to calculate the breakdown for each asset class.

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

Of the different investment assets, the best performers were hedge fund investments at 6.1% and private equity investments at 3.1%, whereas the returns on listed equities and fixed income investments were in negative territory at -11.4% and -11.3% respectively. The return on real estate investments was 2.7%.

At year end, fixed income investments (including the effect of derivatives) accounted for 21.8% of the risk-appropriate market value of Keva's investment assets, listed equities for 31.3%, private equity investments (including unlisted equities) for 18.6%, hedge funds for 7.2% and real estate for 7.6%.

After costs, the total market value return on Keva's

investments was -7%. The cumulative capital-weighted real return since funding started in 1988 to year-end 2022 was 3.7% a year. The average real return, excluding capital weighting, over the same period was 4.9%. The five-year nominal return excluding capital weighting has been 4.3% and the real return 1.3%. The ten-year nominal return excluding capital weighting has been 5.7% and the real return 3.9%.

Fixed income investments

The year again started with very low market interest rates. The sharp rise in inflation resulted in central banks quickly raising their key interest rates. The rise in interest rates significantly decreased the value of fixed income investments in the portfolio.

Keva's investments in bonds and fixed income funds had a market value of EUR 14,272 million at year-end 2022. The market value return on bonds was -13.5%.

Loan receivables, except loans granted to Keva companies, totalled EUR 59 million at year-end 2022. The loan portfolio decreased by EUR 18 million during the year and the market value return on loans was 1.4%.

Other money market instruments and deposits totalled EUR 3,672 million at year-end 2022.

A total of EUR 104 million in interest income was booked on fixed income investments. The market value return on all fixed income investments was -11.3%.

Equity investments

For equities, 2022 started on a very calm note, but Russian's invasion of Ukraine completely changed the situation. Since then rising inflation has resulted in central banks quickly raising interest rates, which in turn unsettled the stock markets.

The MSCI ACWI IMI, which illustrates the average performance of the world's equities, ended 2022 at -13.4%, compared to 28.1% a year earlier. Measured by MSCI Europe IMI, the return on European equities was -11.2% (2021:24.9%). The return on Asian equities (MSCI AC Asia IMI) was -15.4% (5.4%).

At year-end 2022, the total market value of Keva's listed equity investments was EUR 23,456 million. Dividends received on equity investments were EUR 49

million. The market return on listed equity investments was -11.4%.

Real estate investments

Keva's real estate portfolio consists of direct investments in Finnish and Nordic real estate and real estate equities as well as investments in Finnish and foreign real estate funds. Real estate funds account for 28.9% of Keva's real estate investments.

In the direct real estate portfolio, the aim is for the diverse development of the portfolio by investing in i.a. residential, office, shopping centre and hotel properties. Keva began to diversify the geographical spread of its direct real estate portfolio to the other Nordic countries in 2015 starting with investments in Sweden and followed by Denmark in 2017.

The year-end market value of real estate and real estate equities was EUR 4,761 million, of which real estate funds accounted for EUR 1,378 million and traditional bonds in real estate companies accounted for EUR 0 million. In addition, Keva had investments of EUR 44 million in real estate in its own use, but these are not included in investment operations.

At year-end 2022, the 130 real estate properties owned directly by Keva had a total lettable area of around 1,100,000 m² and there were around 4,800 leases. The total market value return on direct real estate investments was -0.2%.

Investment commitments made in Finnish and foreign real estate funds totalled EUR 3,303 million, of which undrawn commitments amounted to EUR 1,352 million. The market value return on real estate funds was 10.5%.

The market value return on all real estate investments was 2.7%.

Private equity and hedge fund investments

The performance of private equity investments in 2021 was exceptionally high. In the light of this, the capital investment market was surprisingly calm in 2022. Hedge funds also performed fairly well.

At year-end, Keva's private equity investments had a market value of EUR 11,561 million, of which invest-

ments in unlisted equities accounted for EUR 785 million. Investment commitments made to private equity investments in equity funds and as a silent partner at year-end totalled EUR 16,306 million, of which undrawn commitments amounted to EUR 5,613 million. The market value return on private equity investments (excl. unlisted equities) was 3.5% and the return on unlisted equities was -1.7%.

Investments in hedge funds had a market value totalling EUR 4,455 million at year end and the market value return on hedge funds was 6.1%.

Steering of investment operations

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.

Keva's Board of Directors considerably revised Keva's steering of investment operations in 2017. Keva's Board of Directors adopted Keva's investment beliefs for the first time. These beliefs describe the general starting points, irrespective of time and situation, on which our investment and organisation of investment operations are based.

In the shorter term, the Board of Directors steers investment operations and approves and annual investment plan which also includes investment authorisations.

Keva's Board of Directors adopted the current investment beliefs on 24 May 2017 and the investment strategy on 15 June 2017. Implementation of the investment strategy continued until 2022, when we moved to the running implementation phase of the investment strategy.

Responsible investing

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

Keva's Board of Directors has decided on the

key principles of social responsibility and goals to be complied with in 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. Keva's own ways of working are supplemented with information that Keva obtains from external service providers specialising in responsible investing.



SUBSIDIARIES AND ASSOCIATED COMPANIES

At year-end 2022, Keva owned in whole or in part a total of 130 Finnish real estate companies, three more than a year earlier. Keva owned 112 Finnish real estate companies in full and had a majority holding in seven others. There were six associated companies (holding of 20-50%) and five real estate companies in which Keva had a smaller holding than this. In addition to Finnish real

estate companies, Keva had a 49.4% holding in a real estate company set up in Sweden and a 100% holding in a Danish company. These companies manage real estate investments in those countries.

Besides real estate companies, Keva held the entire share capital in Kuntasijoitus KE Oy and had a 30.66% holding in Municipal Finance Plc.



PENSION LIABILITY FUND

The gap between Keva's annual income and expenditure is added to or deducted from the pension liability fund. At year-end 2022, the fund stood at EUR 62,647 million,

which was EUR 5,070 million or 7.5% lower than a year earlier.



NET PRESENT VALUE OF ACCRUED BENEFITS IN KEVA MEMBER ORGANISATIONS' PENSION SYSTEM

Based on the provisions of pension legislation, the value of benefits that have accrued in Keva member organisations' pension system, but which are not yet paid, clearly exceeds the value of the pension liability fund. The net present value of the accrued benefits was estimated to have been EUR 141.2 billion, which is EUR 8.4 billion more than a year earlier.

Since the pension liability fund decreased, the net present value of the unfunded benefits increased by EUR 13.5 billion during the year.

The funding ratio describes the ratio of the pension liability fund to the net present value of accrued benefits and at year-end 2022, this was 44%, or around 7 bp smaller than at the end of 2021.



OPERATING COSTS, DEPRECIATION AND STATUTORY PAYMENTS

Operating costs and depreciation

Keva's operating costs and depreciation before reimbursements (gross operating costs) in 2022 totalled EUR 87.1 million, which was EUR 1.3 million or 1.5% lower than in 2021. Operating costs rose by EUR 1.3 million or 1.6%, whereas depreciation was EUR 2.6 million less.

The largest individual cost item was personnel expenses, which were EUR 42.7 million, EUR 0.7 million or 1.7% less than a year earlier. IT costs were EUR 24.7 million, EUR 1.0 million or 4.2% higher than in 2021. Other operating costs were EUR 13.7 million, EUR 1.0 million or 7.9% higher than a year earlier.

To reduce the risk of incapacity for work, in summer 2022 Keva received a central government transfer for the Sustainable working life project. Keva and the State are investing equally in the three-year project, which has a total budget of EUR 7 million. Actual project costs in 2022 were around EUR 0.28 million, of which Keva contributed around 50%.

Keva received reimbursements totalling around EUR 16.3 million (2021:EUR 16.9 million) for operating costs and depreciation for managing the pension provision of other than Keva member organisations. Of this reimbursement, the State accounted for around EUR 13.1 million, the Evangelical Lutheran Church for around EUR 1.8 million, the Social Insurance Institution of Finland Kela for around EUR 0.6 million and the Bank of Finland for around EUR 0.2 million. In addition reimbursements of EUR 0.6 million were received from other parties.

Keva's net operating costs, taking into account reimbursements received, reflect the costs of managing the pension provision of Keva member organisations. These costs were EUR 70.8 million, which was EUR 0.8 million or 1.1% lower than a year earlier.

When examined by function, the gross operating costs of pension operations were EUR 40.5 million,

3.1% lower than a year earlier. Depreciation of pension operations in particular were much lower at EUR 2.5 million. Taking into account reimbursements received, pension operation costs were 3.5% down. The costs of investment operations were EUR 22.5 million, 4.6% higher than in 2021. No reimbursements were allocated to investment operations. Gross operating costs of other operations were EUR 24.2 million, 4% less than a year earlier. Taking into account the reimbursements received, costs of other operations were 3.8% lower.

IT software and hardware investments were EUR 7.5 million, EUR million more than a year earlier. The increase in the total amount was primarily due to additional investments in the development of the pensions payment system (Emma project). This multi-year project continues and by year-end 2022, the total project costs are EUR 18.7 million.

Depreciation according to the plan in 2022 was EUR 6 million, EUR 2.6 million or 30% less than in 2021. Depreciation contracted due to the expiry of the depreciation period for the pensions solution system.

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. In 2022, these costs amounted to around EUR 9.2 million, EUR 0.9 million more than a year earlier. Around EUR 2.2 million of these statutory costs were paid by the State, Evangelical Lutheran Church, the Social Insurance Institution of Finland Kela and the Bank of Finland.

All in all, Keva received EUR 17.9 million, EUR 0.5 million less than in 2021, in reimbursements for operating costs, depreciation and statutory payments from the State, the Evangelical Lutheran Church, the Social Insurance Institution of Finland Kela and the Bank of Finland.



ADMINISTRATION

Keva's administration was reformed under an amendment (513/2020) to the Act on Keva (66/2016), which entered into force on 1 July 2020. Keva's governing bodies are the Councillors, the Election Committee of the Councillors and the Board of Directors, which has appointed an Audit and Risk Management Committee from among its members to deal with statutory duties. The CEO is assisted by Keva's Management Group, whose duties are specified in the rules of procedure adopted by the Board of Directors. Keva also has a Working Life Development Group appointed by the Board of Directors.

Councillors

Keva has 30 Councillors, each of whom has a personal deputy. The Ministry of Finance appoints Councillors for four years at a time. Six Councillors and as many deputies are appointed from among the persons put forward by the principal contracting organisations referred to in the local government main agreement. Four Councillors and as many deputies are appointed from among persons put forward by the Local Government and County Employers KT. The twenty other Councillors and their deputies are appointed from among the persons put forward by the central organisation for Finland's municipalities so that municipalities, joint municipal authorities and different parts of the country are fairly represented by the Councillors.

The Councillors are responsible for supervising Keva's administration and operations, electing the members and deputy members of the Board of Directors and the auditor, deciding the criteria for remuneration and other emoluments to be paid to elected officials, considering the financial statements and the auditor's report, and deciding on the adoption of the financial statements, the discharge of liability to the Board of Directors and other accountable persons, and any other steps warranted, deciding on the payment contributions of member organisations and for adopting the budget for the following year to be followed as the general directions of the management of finances, and an operational and financial plan for three or more years.

The 30 Councillors appointed by the Ministry of

Finance on 19 August 2021 began their four-year term of office on 1 September 2021. The Councillors who had begun their term of office in August 2021 met twice in 2022. The Councillors were chaired by Mr Eero Reijonen, entrepreneur, chairman of the Board, from Liperi and the deputy chairperson was Mr Heikki Vestman, Finnish MP, attorney, from Sipoo.

Keva has an Election Committee elected by the Councillors. The Election Committee prepares a proposal for the Councillors for the remuneration of elected officials and for the appointment of the Board of Directors. Election Committee members must be Keva Councillors. The Councillors' Election Committee was chaired by Mr Eero Suutari and the deputy chairperson was Mr Toni Eklund. The Election Committee has nine Councillors as members and convened once in 2022.

The attendance rate at meeting in 2022 of the Council's ordinary members beginning their term of office on 1 September 2021 was 98% and 99% when deputy members were included. Councillors are paid an attendance fee of EUR 450 for meetings, in addition to which the chairperson and deputy chairperson are paid an annual fee of EUR 10,000 and EUR 9,000 respectively. The Councillors were paid attendance fees totalling EUR 41,856 in 2022.

Board of Directors

Keva's administration is the responsibility of the Board of Directors, which the Councillors elect for a two-year term of office. The Board of Directors has 11 members, each of whom has a personal deputy. Three members and their deputies are elected from among persons put forward by the principal contracting party organisations referred to in the municipal main agreement. Two members and their deputies are elected from among the persons put forward by Local Government and County Employers KT. Six members and their deputies are elected from among the person put forward by the central organisation for Finland's municipalities. The Councillors appoint one ordinary member as chairperson and one as deputy chairperson.

In their meeting on 9 September 2021, the Councillors elected Mr Petteri Orpo, Finnish MP and party chair,

from Turku as chair of the Board of Directors and Ms Diana Bergroth-Lampinen MSc (Econ. and Bus. Admin.), communications and HR manager, from Pori as deputy chair, and other members of the Board of Directors as follows: Ms Outi Alanko-Kahiluoto, Finnish MP; Mr Markku Jalonen, Managing Director of the office of Local Government and County Employers KT; Ms Anne Holmlund, Finance Manager; Mr Markus Lohi, Finnish MP; Ms Kirsi-Marja Lievonen, Director of Human Resources; Mr Olli Luukkainen, chair of the Negotiation Organization for Public Sector Professionals JUKO; Ms Päivi Niemi-Laine, president of the Trade Union for the Public and Welfare Sectors JHL; Mr Matti Putkonen, labourer; and Ms Anne Sainila-Vaarno, Finnish Union of Practical Nurses, SuPer/ Director. At their meeting on 2 December 2022, the Councillors elected Ms Katarina Murto, President of the Trade Union of Education OAJ, as an ordinary member of Keva's Board of Directors to replace Mr Olli Luukkainen, who retired. The term of office of the Board of Directors is 2021–2023.

The Board of Directors met 14 times during the year under review. The attendance rate of ordinary members was 98% and 99% when deputy members are included. The chair and deputy chair of the Councillors have the right to attend and speak at Board of Directors' meetings.

Under the Councillors' decision on fees of 18 August 2020, the attendance fee for members of the Board of Directors is EUR 450. In addition, the chair of the Board is paid an annual fee of EUR 20,000, the deputy chair EUR 12,000 and members are paid a fee of EUR 9,000.

Board members were paid attendance fees totalling EUR 93,070 in 2022.

Keva has a new statutory body, the Board of Directors' Audit and Risk Management Committee, who are tasked with overseeing the adequacy and appropriateness of financial reporting, internal control, internal audit and risk management. The Committee considers the plans and reports of the risk management, internal audit and compliance function. In addition, the Committee prepares the proposal for the election and fees of the auditor for Keva Councillors and oversees the preparation of the financial statements and statutory audit. Under the decision on fees adopted by the Councillors,

the attendance fee for members is EUR 450 for each meeting.

The Board of Directors adopted the Audit and Risk Management Committee's rules of procedure and at its meeting on 22 September 2021 elected five members to the Committee from among the Board members for the term of office 2021-2023. The Committee's chair is Mr Petteri Orpo, chair of the Board Directors, the deputy chair is deputy chair of the Board Ms Diana Bergroth-Lampinen and members are Mr Markku Jalonen, Mr Markus Lohi and Ms Päivi Niemi-Laine. The Committee met seven times in 2022.

Working Life Development Group

On 19 October 2021, the Board of Directors elected a Working Life Development Group for its term of office. The Working Group had 18 members, six of whom were chosen on the basis of proposals by the main municipal negotiating organisations. The Working Life Development Group was chaired by Ms Sari Lempiäinen, HR Director at the City of Joensuu and since 19 October 2022. the Working Group has been chaired by Arja Aroheinä, HR Director at the City of Jyväskylä. The Working Life Development Group met three times in 2022.

Nomination and Remuneration Committee

At its meeting on 2 March 2022, the Board of Directors appointed a Nomination and Remuneration Committee from among its members. The Committee is tasked with preparing the selection and terms of service of the CEO and members of the Management Group. In addition, the Committee prepares changes to the performance bonus scheme and other matters concerning remuneration, which under the rules of procedure are decided by the Board of Directors. Mr Petteri Orpo, chair of the Board of Directors, was elected to chair the Committee, and Ms Diana Bergroth-Lampinen, deputy chair of the Board of Directors was elected deputy chairperson. Ms Kirsi-Marja Lievonen, Mr Olli Luukkainen and Mr Markus Lohi were appointed members. At its meeting on 14 December 2022, the Board of Directors elected Katarina Murto as a member of the Committee to replace

member of the Board of Directors Mr Olli Luukkainen, who stood down. The Committee met once in 2022.

Management Group met 41 times

Mr Jaakko Kiander served as Keva's CEO. Mr Tapani Hellstén and Mr Kimmo Mikander served as deputy CEOs. Mr Hellstén's primary remit in 2022 was employer and work ability services and Mr Mikander's remit was pension and ICT services.

The CEO is supported in managing Keva by the Management Group, which meets on a regular basis. The Management Group prepares matters for submission to the Board of Directors and considers also other

key matters relating to the management and planning of operations. The Management Group met 41 times during 2022.

The Management Group was chaired by CEO Mr Jaakko Kiander. Management Group members are deputy CEOs Mr Tapani Hellstén and Mr Kimmo Mikander, CIO Mr Ari Huotari, CFO Mr Tom Kåla Communication Director Ms Reija Hyvärinen as well as staff representative Ms Tiina Ijäs until 13 May and chief shop steward Mr Pasi Lehto from 14 May. Administrative Director Mr Markus Mankin served as secretary to the Management Group.



PERSONNEL

At year-end 2022, Keva employed 492 (2021: 497) people, of whom 11 were temporary. The total work input was 468.1 full-time equivalents (2021: 472.3 fte). Women accounted for 66.9% of Keva's personnel and the average employee age was 49.5 years. There were 28 permanent employees leaving Keva in 2022.

Development of supervisor skills

In 2021, a collaborative process defined the development of leadership and supervisory work as the basis for the cornerstones of leadership, in other words what good leadership is at Keva. Leadership, trust, coaching, communality and interaction, as well as the courage to lead, are emphasised with goals in leadership. During 2022, Keva arranged an extensive coaching programme for supervisors based on the cornerstones. The supervisors in the coaching programme also developed management tools in peer groups for use across Keva.

In addition to the coaching programme, specific training on performance management was organised for supervisors.

Responsible work development

Corona restrictions regarding office working were still in place at the start of 2022 and most employees worked remotely because of the restrictions. During the course of the spring, the Management Group abandoned corona restrictions and regular consideration of the matter. In October, the Management Group made a policy that it would be a good idea if employees showed up to the office once a week on average to ensure the functioning of the workplace community also going forward.

The personnel's work mood decreased in the autumn. The percentage experiencing a good mood was around 60% compared to some 70% being satisfied earlier. Various reasons have been identified for this including working at the office, workload factors and the general world situation. Improvement of the work mood and planning development measures will continue based among other things on the results of the employee survey.

Keva took part in the Oikotie Responsible Employer campaign as one of the main partners. The 2022

campaign content raised the everyday life of Keva employees in the Instagram weeks, work ability management as a creator of meaningful work, the culture of learning and competence development, progress with diversity and Keva's management culture.

In 2022, work continued on developing the operating culture by formulating Keva's cornerstones of good expert work into the cornerstones of leadership. All Keva employees had a chance to get involved in formulating the cornerstones. Good expert work highlights motivating work camaraderie, active development, collaboration building and boldness.

Introduction of a way of working that supports work ability

Occupational healthcare partnership with Terveystalo has become established and is at a good level. Cooperation during the third coronavirus year continued to be more intense than normal: Working with Terveystalo, we updated the risk assessment of the employees working in the office, corona testing continued, and giving corona vaccinations through occupational healthcare was considered a possibility and mental wellbeing services have been offered at a lower threshold.

Basic workplace surveys were carried out during 2017-2021. A break was kept between workplace surveys and the next time occupational healthcare will conduct a workplace survey across Keva in 2024.

Work continued on developing strategic work ability management. Keva's Management Group introduced a review of work ability management twice a year.

Employee sickness absenteeism remained lower than normal at the beginning of the year because of the corona pandemic. Absenteeism rose significantly as a result of late autumn infections. This was because of the simultaneous spread of corona infections, the earlier than normal start of the flu season and the RS virus in the population. The personnel's health percentage remained high, with around 33% of the personnel not absent at all due to illness during 2022.

Keva aims to increase measures to support work ability. The coronavirus pandemic meant that total occupational healthcare costs were slightly up compared

to a year earlier. There was a decrease in the care debt building up during the years of corona and this resulted in a greater than expected rise in healthcare costs. Because of this, it was not possible to increase the share of costs of activities that proactively support work ability in accordance with the goals.

Absences because of mental health illness no longer continued to rise and even took a slight downward turn. It was thought that the provision of short-term psychotherapy services has a positive impact on preventing absences on mental health grounds.

As in earlier years, wellbeing in the workplace was supported through culture and exercise clubs, which because of the corona pandemic continued to be mostly held remotely. Keva also offers its employees culture and exercise benefits as well as employer-subsidised commuter tickets.

Brisker diversity discussion

The Equality and non-discrimination plan for 2021–2022 highlighted the importance of diversity. Keva again took part in the Pride week, during which the position of sexual and gender minorities in the work community was highlighted on the intranet. Self-assessment work on diversity was conducted using FIBS's Diversity and Inclusion self-assessment tool.

An entry on zero tolerance of inappropriate behaviour was included in Keva's strategy for 2022–2027 and a

development project for detecting inappropriate treatment and processing reports during the year.

In recruiting, efforts were made to provide employment opportunities also for people who have the most difficulty in finding employment. A diversity clause was added to Keva's job advertisements to increase the number of applicants from different backgrounds.

Overhaul of HR services

Keva is replacing its existing payroll services provider and during 2022 held a competitive tendering process to find a new partner. Since competitive tendering failed to deliver a new, suitable provider, an alternative was explored whereby the service would be arranged through an in-house entity of a contracting entity. At the end of the year, Keva acquired shares in Monetra Pohjois-Savo Oy with which to create the status of an in-house entity. Keva plans to transfer payroll services to Monetra during spring 2023.

Competitive tendering resulted in the overhaul also of other services during the year: direct search and aptitude testing services as well as a new employee survey. Promenade Insight's employee survey was conducted at the end of the year and its results will be analysed at the beginning of 2023.

The HR unit also updated Keva's induction material for new employees, making it more compact and time resilient.



ICT SERVICES

Changes in the operating environment and interaction volumes in digital services reflected directly in ICT activities and in expectations for ICT services. The focus was on ensuring Keva's mission by ensuring the functionality, smooth-running and security of information systems and digital services in different areas.

Keva is upgrading with major ICT development projects in various application and business areas. Areas include automation, knowledge-based management, online services and the migration of ICT systems to a cloud environment. ICT development projects underway include those in the areas of pension payment, digital development and infra services. During 2022, prepara-

tions continued for procurement tenders to be launched in 2023. These focused on the areas of digital services development, infra and cloud partnerships and the maintenance of pension payment.

Services provided for customers are being further systematically developed with projects and agile methods by utilising analytics. Digital services for employee and employer customers, improved interfaces and automated customer service are key areas for development. The acceleration of digitalisation also creates expectations for the development and optimisation of internal operating processes.



INTERNAL CONTROL

Internal control means all management and operational internal control measures through which Keva's management seeks to ensure efficient, economical and reliable operations and to reach objectives. The internal control policy adopted by Keva's Board of Directors describe the key principles of internal control that are complied with as permanent guidelines in the arrangement of internal control. Besides daily control measures and supervisory control risk management, compliance and internal auditing are also fundamentals of internal control.

Risk management

Risk management is part of Keva's management and internal control. It encompasses values, corporate culture, organisation, processes and structures that represent the realisation of opportunities and which are used to manage adverse consequences. The Board of Directors, CEO and Management Group receive up-to-date comprehensive information about the risks relating to operations. This improves decision-making and preparation for the future.

In December 2021, Keva's Board of Directors adopted a written policy covering the entire operation in the risk management system. The risk management system policy determines Keva's most significant risks, indicators, risk-taking parameters, risk management goals, responsibilities and control principles. Besides this, the investment function produces a separate "Risk management and plan for investment operations" document, which the Board of Directors adopts at the beginning of each year.

Risk management as part of strategy execution

In 2019, risk management was closely linked to different stages in the execution of Keva's new strategy and this continued also in 2022. The Board of Directors adopted Keva's second risk assessment in June 2022. Quarterly reporting to the Board on risk materialisation continued as part of the risk management process according to Keva's annual clock. In addition to this, contingency

planning was greatly developed based on the plan adopted in 2021.

Risk surveys were reported to the CEO and risk management to the Management Group at six-month intervals. The most significant risks and the means to manage them were reported to the Board of Directors as part of the annual risk management plan.

Keva continued to develop data security and data protection policies, processes and guidelines. Data security and protection risks were highlighted in personnel training and data security exercises were also held in addition to training. Development work focused among other things on the establishment of the practices and processes required by the EU General Data Protection Regulation and on the development of information systems that comply with data protection and security requirements.

Risk management in investment operations continued to develop risk reporting and the operating and reporting processes and structures of the steering and monitoring system for investment operations.

The Risk Management, Compliance and Administration Unit was responsible for among other things the independent risk management of risk-taking activities in accordance with the Act on Keva. The unit is staffed by independent risk management experts and compliance officers under the Administrative Director.

Keva has a company level contingency plan adopted by the Board of Directors that includes continuity management and contingency planning. This is complemented by function-specific contingency plans adopted by the Management Board to ensure the continuity of operations as required by law.

Most significant risks

The most significant tasks of risk management in 2022 related to the development of Keva's continuity management and contingency planning among other things in consequence of the war that broke out in Ukraine. Keva has, for example, prepared for the challenges raised by the energy crisis by instructing our personnel on themes related to power outages. In

addition, Keva has continued cooperation in the pension industry in the National Emergency Supply organisation and taken part in various seminars concerning the crisis in Ukraine.

Besides the ramifications (including the strong inflation increase rate in 2022) of the war in Ukraine on the global economy, the biggest change factors in Keva's operating environment were preparations for the start of the wellbeing services counties at the beginning of 2023. When analysing the operating environment it is also worth noting that in the long-term projection (LTP) calculations (10/2022) by the Finnish Centre for Pensions, pension funding increasingly depends on returns on investment. The industry has increasingly been discussing issues related to the risk level of investment operations to meet long-term return expectations.

Keva's main risks indeed relate to the active development of operations and ensuring long-term funding. The adequacy of Keva's long-term funding was still considered to be the most significant strategic risk in 2022, even though recent years have seen an improvement in the funding situation. Funding adequacy is assessed on a regular basis. The cumulative capital-weighted, annual long-term real return on investments between 1988 and 2022 was 3.7%.

In the medium term, significant risks were also assessed to include the development of personnel skills in a situation where the labour market has partly heated up at the same time as the personnel structure has changed due to future retirements. There is a threat of Keva being unable to develop its operations in accordance with its objectives and thus fail to influence operations in earnings-related pensions.

The most significant operative risks in 2022 related to the personnel and management, information systems, data security and protection as well as to procurement and project management.

Market and liquidity risks

The fluctuation in market values is a short-term investment risk. This risk can be measured by Value-at-Risk (VaR). The VaR for Keva's investments calculated on the

basis of monthly returns over a two-year period at year-end 2022 was EUR 1,980 million, which means that with a 97.5% probability, this is the greatest possible loss on the entire investment portfolio within a time span of one month. At year-end 2021, the VaR was EUR 3,092 million. Annual volatility was 6.2% (2021: 9.6%).

Since the end of 2017, Keva's contribution income has no longer covered all pension expenditure. Since pension expenditure is growing and the net income from operations is negative, the importance of the investment portfolio and long- and short-term liquidity will continue growing.

The implications of the corona pandemic on pension contribution accrual reflected positively during the year because of support distributed by central government to the local government sector.

Compliance

Keva has an independent Compliance function which supports management and the entire organisation in ensuring compliance with good governance and the internal and external rules guiding operations. Keva has a compliance officer and an investment compliance officer. The Compliance officer reports to the Administrative Director, CEO, the Audit and Risk Management Committee and Keva's Board of Directors. The Investment compliance officer reports to the Administrative Director, CEO, the investment operations management group, the risk management group, the Audit and Risk Management Committee and the Board of Directors.

The Board of Directors has adopted the Compliance policy and action plan, under which Keva complies with legislation, regulatory guidelines and internal guidelines. The provision of advice and guidelines strengthens confidence in Keva's operations and strengthens a responsible corporate culture. Compliance additionally monitors legislative changes affecting Keva's operations and supports management in preparing for these changes.

In 2022, compliance at Keva was strengthened with an Investment compliance officer, who assumed the position at the beginning of May and is responsible for ensuring compliance of investment operations. The

Compliance officer is responsible for compliance at Keva other than compliance of investment operations. Both the Compliance officer and the Investment compliance officer are part of the Compliance, Risk Management and Administration Unit, which is headed by the Administrative Director.

The Compliance officer headed a working group tasked with updating Keva's Code of Conduct and the Board of Directors adopted the new Code of Conduct in August 2022. Cooperation between Keva and the oversight authorities, the Ministry of Finance and Financial Supervisory Authority, continued with regular unofficial meetings at which all parties were present at the same time. Keva's compliance programme was implemented by reviewing different focus areas and by making compliance assessments. The Compliance officer worked as part of Keva's responsibility group and the working group to eradicate unfair treatment. A quarterly quality control of pension decision operations was conducted. The Board of Directors adopted the updates internal control policy in 2022.

Towards the end of the year, the Investment compliance officer who began at Keva on 1 May 2022, reviewed the induction programme, which included an introduction to Keva's investment guidelines, the financial instruments and ways of working as well as interviews with persons responsible for Keva's investment operations. Towards the end of the year, the Investment

compliance officer made one compliance assessment and other minor assessments.

No reports were received via Keva's internal whistleblowing channel, an ethical channel, in 2022.

In 2022, Compliance was involved in tracking the progress of key legislative projects affecting Keva and its operating environment and assessed the implication of these projects.

Internal audit assesses the effectiveness of internal control

Internal audit is part of Keva's control and supervision system and assists the CEO and supports the Board of Directors in their supervisory duties. Internal audit is tasked with independently and objectively assessing and ensuring the adequacy and effectiveness of the internal control, management and governance procedures of Keva's operations and processes. Internal audit also issues recommendations and proposals for development to improve these processes. Internal audit is organised administratively under the CEO.

Internal audit is based on the internal audit charter adopted by the Board of Directors and on the annual audit plan adopted each year. Internal audit reports on its work and conclusions to the CEO, the Board's Audit and Risk Management Committee and to the Board of Directors.



OUTLOOK

There is still great uncertainty in the economic operating environment as the war in Ukraine continues. Even though at the start of 2023, it seemed that the energy crisis and fastest phase of inflation were easing and that the worst threats to economic development were not materialising, the situation can rapidly change. Besides the war, there are other geopolitical tensions and the uncertainty relating to the future development of monetary policy. The development of the investment markets strongly reflect the uncertain outlook.

Similarly in Finland, growth stagnation, a potential recession and inflationary trends and the associated uncertainty are concerns. The growth in employment is expected to come to an end. The country will have a new government following the general election in spring 2023.

Population ageing, a decline in public sector income dominate the development of general government finances, as a result of which the structural deficit will deepen and the ratio of general government debt to GDP will again begin to grow.

Population ageing will increase the need for care and nursing services. At the same time, brisk retirement in the sector will continue. The shortage of skilled labour is already serious in some places in the health and social services sector and difficulties caused by the availability of employees do not seem to be getting any easier.

Local government finances for 2023 are still expected to be reasonably strong because of the timing

factors of income related to the reform of health and social services, but from 2024 onwards the funding deficit of municipalities is again expected to sink into a chronic deficit.

In the wellbeing services counties, the next few years will be a time of establishing, developing and in some places reorganising operations. These will take place within a reasonably tight financial framework. The reorganisation of operations may be reflected in the continued growth of purchasing services, outsourcing and sale of assets both in the municipalities and wellbeing services counties. Limited liability company customers account for around 10% of the sum of wages and salaries of Keva member organisations. There is uncertainty as to the development of the sum of wages and salaries in the segment. Changes in the regulatory environment concerning companies owned by the municipalities and wellbeing services counties may likewise affect the sum of wages and salaries of employees with pension cover from Keva and Keva's contribution income.

Despite changes and uncertainty in the operating environment, Keva's position and funding base are expected to remain stable. The long-time funding perspective will be examined in more detail in the Asset/Liability report prepared in spring 2023.

Appendix

PENSION SYSTEM-SPECIFIC TABLES

Total pension application processing time (days) and service level 2022

Pension type	Local government days	State days	Church days	Kela days	Bank of Finland* days	Private providers days
Old-age pension	6	6	4	6	11	7
Partial early old-age pension	1	1	2	1	6	2
Disability pension	28	28	30	18	71	31
Survivors' pension	8	8	8	7	14	16
Rehabilitation promises	14	14	13	12	0	15
Service level	95,6	96,7	96,3	96,6	100,0	..

* The principle of last insurer does not apply to Bank of Finland pensions and this delays application processing.

Source for processing times: Finnish Centre for Pensions

Application rejection rates 2022

Application	Local government %	State %	Church %	Kela %	Bank of Finland %	Private providers %
New disability pension	30,1	23,9	37,1	38,6	0,0	38,3
Rehabilitation	41,4	39,7	46,6	73,3	..	48,0

Source: Finnish Centre for Pensions

Pension decision rectification procedure 2022

Rectified by Keva	Local government	State	Church	Kela	Bank of Finland
<i>Number of appeals against Keva decisions</i>	1 252	205	53	18	2
Rectification rate of all appeals, %	13,4	15,6	11,3	16,7	0,0
<i>Number of appeals concerning work ability assessment</i>	1 086	138	48	18	0
Rectification rate of appeals concerning work ability assessment, %	13,4	18,1	12,5	16,7	..
<i>Number of appeals against decisions of the Pension Appeal Board</i>	75	10	1	1	0
Rectification of all appeals, %	8,0	0,0	0,0	0,0	..
<i>Number of appeals concerning work ability assessment</i>	70	8	1	1	0
Rectification rate of appeals concerning work ability assessment, %	8,6	0,0	0,0	0,0	..

Number of decisions

Number of decisions on local government pensions and other benefits by pension type 2022 and 2021

Type	2022 no.	2021 no.	Change %
Old-age pension	17 238	14 826	16,3
Partial early old-age pension	8 638	3 438	151,3
Full disability pension (incl. rehabilitation allowance and years-of-service pension)	14 569	14 920	-2,4
<i>of which new decisions</i>	5 034	5 005	0,6
Partial disability pension (incl. partial rehabilitation allowances)	9 428	9 823	-4,0
<i>of which new decisions</i>	3 486	3 844	-9,3
Survivors' pension	3 326	2 726	22,0
Other pension matters	333	290	14,8
Rehabilitation decisions	5 451	6 678	-18,4
Total	58 983	52 701	11,9

Number of decisions on State pensions and other benefits by pension type 2022 and 2021

Type	2022 no.	2021 no.	Change %
Old-age pension	5 085	4 654	9,3
Partial early old-age pension	1 784	686	160,1
Full disability pension (incl. rehabilitation allowance and years-of-service pension)	1 525	1 608	-5,2
<i>of which new decisions</i>	520	505	3,0
Partial disability pension (incl. partial rehabilitation allowances)	1 184	1 102	7,4
<i>of which new decisions</i>	452	414	9,2
Survivors' pension	2 766	2 338	18,3
Other pension matters	5	12	-58,3
Rehabilitation decisions	530	612	-13,4
Total	12 879	11 012	17,0

Number of decisions on Church pensions and other benefits by pension type 2022 and 2021

Type	2022 no.	2021 no.	Change %
Old-age pension	661	599	10,4
Partial early old-age pension	287	99	189,9
Full disability pension (incl. rehabilitation allowance and years-of-service pension)	590	596	-1,0
<i>of which new decisions</i>	209	207	1,0
Partial disability pension (incl. partial rehabilitation allowances)	205	216	-5,1
<i>of which new decisions</i>	82	99	-17,2
Survivors' pension	199	158	25,9
Other pension matters	0	0	..
Rehabilitation decisions	134	155	-13,5
Total	2 076	1 823	13,9

Number of decisions on Kela salaried employee pensions and other benefits by pension type 2022 and 2021

Type	2022 no.	2021 no.	Change %
Old-age pension	148	166	-10,8
Partial early old-age pension	104	42	147,6
Full disability pension (incl. rehabilitation allowance and years-of-service pension)	116	100	16,0
<i>of which new decisions</i>	29	25	16,0
Partial disability pension (incl. partial rehabilitation allowances)	206	201	2,5
<i>of which new decisions</i>	75	84	-10,7
Survivors' pension	47	24	95,8
Other pension matters	0	0	..
Rehabilitation decisions	67	92	-27,2
Total	688	625	10,1

Number of decisions on Bank of Finland pensions and other benefits by pension type 2022 and 2021

Type	2022 no.	2021 no.	Change %
Old-age pension	89	79	12,7
Other pensions and benefits	101	72	40,3
Total	190	151	25,8

Number of applications received

Number of application for local government pensions and other benefits by pension type 2022 and 2021

Type	2022 no.	2021 no.	Change %
Old-age pension	17 219	14 535	18,5
Partial early old-age pension	8 636	3 434	151,5
Full disability pension (incl. rehabilitation allowance and years-of-service pension)	14 703	14 345	2,5
Partial disability pension (incl. partial rehabilitation allowances)	9 351	9 470	-1,3
Survivors' pension	3 323	2 725	21,9
Other pension matters	388	320	21,3
Rehabilitation	5 635	6 676	-15,6
Total	59 255	51 505	15,0

Number of applications for State pensions and other benefits by pension type 2022 and 2021

Type	2022 no.	2021 no.	Change %
Old-age pension	5 062	4 585	10,4
Partial early old-age pension	1 784	687	159,7
Full disability pension (incl. rehabilitation allowance and years-of-service pension)	1 514	1 559	-2,9
Partial disability pension (incl. partial rehabilitation allowances)	1 169	1 072	9,0
Survivors' pension	2 770	2 331	18,8
Other pension matters	6	11	-45,5
Rehabilitation	550	612	-10,1
Total	12 855	10 857	18,4

Number of applications for Church pensions and other benefits by pension type 2022 and 2021

Type	2022 no.	2021 no.	Change %
Old-age pension	667	590	13,1
Partial early old-age pension	287	99	189,9
Full disability pension (incl. rehabilitation allowance and years-of-service pension)	605	579	4,5
Partial disability pension (incl. partial rehabilitation allowances)	211	207	1,9
Survivors' pension	200	158	26,6
Other pension matters	0	0	..
Rehabilitation	145	157	-7,6
Total	2 115	1 790	18,2

Number of applications for Kela salaried employee pensions and other benefits by pension type 2022 and 2021

Type	2022 no.	2021 no.	Change %
Old-age pension	148	164	-9,8
Partial early old-age pension	104	41	153,7
Full disability pension (incl. rehabilitation allowance and years-of-service pension)	109	97	12,4
Partial disability pension (incl. partial rehabilitation allowances)	205	191	7,3
Survivors' pension	47	24	95,8
Other pension matters	0	0	..
Rehabilitation	70	90	-22,2
Total	683	607	12,5

Number of applications for Bank of Finland pensions and other benefits by pension type 2022 and 2021

Type	2022 no.	2021 no.	Change %
Old-age pension	91	67	35,8
Other pensions and benefits	99	69	43,5
Total	190	136	39,7

Persons retiring

Number of persons retiring by pension type 2022

Eläkelaji	Local government no.	State no.	Church no.	Kela no.	Bank of Finland no.
Old-age pension	9 799	3 733	424	118	18
Full disability pension (incl. years-of-service pension)	775	120	28	3	2
Full rehabilitation allowance	1 390	179	47	13	0
Partial disability pension	2 327	315	55	43	0
Total	14 291	4 347	554	177	20

Average age of persons retiring by pension type 2022

Eläkelaji	Local government yr	State yr	Church yr	Kela yr	Bank of Finland yr
Old-age pension	64,8	63,8	64,8	65,1	64,6
Full disability pension (incl. years-of-service pension)	60,3	59,4	59,1
Full rehabilitation allowance	49,6	53,4	52,1	42,3	..
Partial disability pension	57,1	57	57,7	54,8	..
Total	61,8	62,8	62,8	60,7	64,4

GOVERNING BODIES 2022

Keva Council 1 September 2021 – 31 August 2025

Councillors

Chair

Board chairperson, entrepreneur
Mr Eero Reijonen, Liperi

Deputy chair

Finnish MP, lawyer
Mr Heikki Vestman, Helsinki

Managing director

Mr Jarmo J Husso, Oulu

Entrepreneur, BEng

Mr Eero Suutari, Kajaani

Assistant head nurse

Ms Aulikki Sihvonen, Kontiolahti

Private entrepreneur, MSc (Admin)

Ms Susanna Koski, Vaasa

Financial economist

Ms Nea Karenius, Järvenpää

Managing director

Mr Pekka Salmi, Tampere

Managing director

Mr Toni Eklund, Turku

Investment manager, MSSc, MSc (Econ)

Ms Maija Kuusisto-Länsineva, Harjavalta

Foreman, Electrician

Mr Jouni Kemppe, Lappeenranta

Teacher, MEd

Ms Minna Sarvijärvi, Ylöjärvi

Service manager

Mr Teemu Meronen, Helsinki

Deputy Councillors

OSH representative

Ms Paula Sihto, Seinäjoki

Mental health nurse

Mr Juhani Nummentalo, Salo

Economist

Ms Mervi Rings, Lemi

Safety manager

Mr Seppo Hujanen, Mäntyharju

Entrepreneur

Ms Erja Laaksonen, Jämsä

Executive director, Agricultural entrepreneur

Ms Riikka Varila, Kuortane

HR project employee

Mr Ilkka Nokelainen, Imatra

Economist

Ms Miina-Anniina Heiskanen, Oulu

Oral hygienist

Ms Liisa Terävä, Rautjärvi

Finnish MP, Executive director

Mr Seppo Eskelinen, Joensuu

Agricultural entrepreneur, retired

Mr Tapio Havula, Mäntsälä

Bachelor in Health Care (nursing), First responder

Ms Miina Harmaala, Asikkala

BA, eMBA

Mr Jussi Junni, Helsinki

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Housing manager Ms Minna Pöntinen, Mikkeli	Organisation expert Ms Anne Lindgren, Riihimäki
Nurse Ms Tanja Hartonen, Mäntyharju	Mechanical engineer, retired Mr Terho Korpikoski, Simo
Social adviser, retired Ms Marke Tuominen, Äänekoski	Paper worker Mr Mikko Nurmo, Valkeakoski
PhD, Senior researcher Mr Lauri Heikkilä, Marttila	Midwife-nurse Ms Päivi Karppi, Vaasa
Home support worker Ms Eija Rannanpää, Vimpeli	Occupational health physician Mr Petri Pekkola, Kotka
Finnish MP Mr Matti Semi, Varkaus	ECEC childcarer Ms Mari Lind, Orivesi
Municipal manager Ms Malin Brännkärr, Kruunupyö	Mr Henrik Wickström, Inkoo
MSc (Admin), Director of social and health care services Ms Taina Niiranen Local Government and County Employers KT	Master of Theology, MEd Ms Kirsi Ojansuu-Kaunisto Local Government and County Employers KT
Director, Human resources Ms Sinikka Valtonen Local Government and County Employers KT	Mr Pekka Heikkinen Local Government and County Employers KT
Director Mr Jorma Haapanen Local Government and County Employers KT	Department director Mr Eino Leisimo Local Government and County Employers KT
Municipal manager Mr Juha Majalahti Local Government and County Employers KT	ECEC manager Ms Marja-Leena Laine Local Government and County Employers KT
Negotiations manager Mr Tuomas Hyytinen Negotiation Organisation for Public Sector Professionals JUKO	Chair Ms Tiina Mäenpää Negotiation Organisation for Public Sector Professionals JUKO

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Negotiations manager
Mr Petri Lindroos
Negotiation Organisation for Public Sector
Professionals JUKO

Chair
Ms Jonna Voima
Public Sector Union JAU

Management advisor
Mr Keijo Karhumaa
Public Sector Union JAU

Chair
Ms Silja Paavola
Sote ry

Chair
Ms Millariikka Rytönen
Sote ry

Labour market lawyer
Ms Anna Zibellini
Negotiation Organisation for Public Sector Professionals JUKO

Collective bargaining director
Ms Marja Lounasmaa
Public Sector Union JAU

Bargaining officer
Ms Minna Pirttijärvi
Public Sector Union JAU

Deputy chair
Ms Jaana Dalén
Sote ry

1st Deputy chair
Ms Anna-Leena Brax
Sote ry

KeVa's Board of Directors 9 September 2021 – 31 August 2023

Ordinary members

Chair

Finnish MP

Mr Petteri Orpo, Turku

Deputy chair

Communications and HR manager, MSc
(Econ. and Bus. Admin.)

Ms Diana Bergroth-Lampinen, Pori

Finnish MP, PhD

Ms Outi Alanko-Kahiluoto, Helsinki

Finance manager

Ms Anne Holmlund, Ulvila

Managing director

Mr Markku Jalonen, Helsinki

Director of Human Resources

Ms Kirsi-Marja Lievonen, Helsinki

Finnish MP

Markus Lohi, Rovaniemi

KT/chair of the Negotiation Organization for
Public Sector Professionals

Mr Olli Luukkainen, Helsinki

(Until 1 December 2022)

Chair

Ms Katarina Murto, Helsinki

(from 2 December 2022)

Chair

Ms Päivi Niemi-Laine, Helsinki

Labourer

Mr Matti Putkonen, Perttula

Director

Ms Anne Sainila-Vaarno, Helsinki

Personal deputies

Entrepreneur

Mr Samu Vahteristo, Rauma

Programme director

Mr Harri Jokiranta, Seinäjoki

Lead specialist, VTT

Mr Timo Aro, Pori

TV producer, director

Ms Milla Bruneau, Lahti

Research manager

Mr Mika Juutinen, Helsinki

Administrative director

Ms Petra Määttänen, Turku

Head of social work with substance abusers

Ms Kirsi Torikka, Savonlinna

Director

Mr Heikki Pärnänen, Helsinki

Bargaining director

Mr Kristian Karrasch, Helsinki

LLM

Ms Piritta Poikonen, Koisjärvi

Director

Ms Else-Mai Kirvesniemi, Helsinki

Organisation at 31 December 2022

Enabling Operations

CEO Mr Jaakko Kiander

Compliance, Risk Management and Administration Unit
Administrative Director Mr Markus Mankin

Internal Audit
Head of Internal Audit Ms Päivi Alanko

Strategy and Development
Development Manager Mr Mikko Kenni, until 31 July
Employer CRM and Work Ability Director Mr Mikko Kenni
IATOD from 1 August

Communications, Stakeholder Cooperation and
Responsibility Unit
Communication Director Ms Reija Hyvärinen

Pensions and ICT

Deputy CEO
Mr Kimmo Mikander

Customer Service Unit
Customer Service Director Ms Taina Uronen

Pensions Service Unit
Pensions Director Ms Eija Korhonen

Payment Service Unit
Pensions Director Ms Saira Lassila

ICT Service Unit
IT Director Mr Tommi Heinonen

Legal Services Unit
Director of Legal Affairs Mr Jussi-Pekka Rantanen

Employer and Work Ability

Deputy CEO Mr Tapani Hellstén

Digitality and Service Development Team
Development Director Mr Jarno Mäkinen

Employer CRM and Work Ability Management Team
Employer CRM and Work Ability Director Ms Kati
Korhonen-Yrjänheikki until 9 May
Development Manager Mr Mikko Kenni IATOD
11 May – 31 July
Employer CRM and Work Ability Director Mr Mikko Kenni
from 1 August

Work Ability Solutions Unit
Pensions Director Ms Merja Paananen

Insurance Medicines Unit
Director of Medical Affairs Ms Tuula Metsä

Investment Operations

Chief Investment Officer
Mr Ari Huotari

Equity Investments Unit
Head of Unit Mr Jussi Karhunen

Internal Equity Investments Team
Head of Team Mr Mikko Koskela

External Equity Investments Team
Head of Team Ms Silja Varmola

Internal Fixed Income Investments, Forex and
Derivatives Unit
Head of Unit Mr Fredrik Forssell

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External Fixed Income Investments Unit
Head of Unit Ms Erika Tikka

Alternative Investments Unit
Head of Unit Mr Markus Pauli

Real Estate Investment Unit
Head of Unit Mr Carl-Henrik Roselius

Investment Administration and Loans Unit
CIO Mr Ari Huotari IATOD

Loans Team
Head of Team/Attorney Mr Osku Eskelinen

COO's remit
CIO's deputy
COO, Investments Ms Maaria Eriksson

Investment Strategy Unit
Head of Unit Mr Tommi Moilanen

Responsible Investment Research and
Coordination Team
Head of Team Ms Kirsi Keskitalo

Investment Reporting and Risk Management Unit
Head of Unit Ms Majja Sarlomo (on parental leave from
30 May 2022)
Senior Specialist Mr Tuomo Koskinen IATOD from 31 May
Development Manager Mr Juhani Ostrovski
Development Manager Mr Juha Soininen

Securities Administration Unit
Head of Unit Ms Johanna Haukkovaara

Financial and Operations Planning

Chief Financial Officer
Mr Tom Kåla

Financial Planning Unit
Head of Actuarial Affairs Mr Roman Goebel IATOD
until 31 March 2022
Chief Actuary Ms Piia Laaksonen from 1 April 2022

Financial Unit
Financial Manager Mr Olli Pasanen

HR Unit
HR Director Mr Mika Gylén

Register and Pensions Payment Unit
Register and Pensions Payment Manager Ms Katri
Tolonen

Internal Services Unit
Work Environment Manager Ms Kristina Vuorela

PUBLIC SECTOR
PENSIONS



www.keva.fi

00087 KEVA
Telephone +358 20 614 21