

Keva's Interim Report 1 January – 31 March 2023

Keva's investments start the year on a positive note

Keva, which is responsible for the funding of local government and wellbeing services county pensions and for the investment of pension funds, reported a return of 1.7% for the first quarter of 2023. At the end of March, Keva's investments had a market value of EUR 62.5 billion, compared to EUR 65.2 billion a year earlier.

Of the different asset classes, listed equities generated a return of 3.5%, hedge funds 1.6% and fixed income investments 1.0%. Real estate investments (including real estate funds) generated a return of 0.3% and equity investments -0.1%.

Keva CEO **Jaakko Kiander** states that global inflation concerns, interest hikes by central banks and the economic implications of actions have dominated the outlook for the early part of the year.

"The key is how the future outlook unfolds. More stable capital markets would require much better visibility of future developments than the current situation," Kiander says.

In the allocation of Keva's total investment assets (including the impact of derivatives), listed equities and equity funds accounted for 32% and fixed interest investments for 25.6%. Of the other asset classes, equity investments accounted for 18.7%, real estate investments for 7.6% and hedge funds for 7.1%.

Keva's long-term return on investments has been good. The cumulative money-weighted return on investments since funding began in 1988 to the end of March 2023 was 3.6% a year. The average real return, excluding money weighting, over the same period was 4.8%. The real return, excluding money weighting, over the past five years has been 1.4% and the ten-year real return 3.6%.

Keva CIO **Ari Huotari** says that the start of the year continued to be characterised by uncertainty and the bank sector in particular has been a cause for concern globally.

"These risks also materialised both in Europe and the United States. However, the authorities have dealt very decisively with the cases emerging at this stage. Stock markets in Europe have been on an upward trajectory despite the situation in the bank sector, the continuing war, rapidly rising interest rates and their implications for economic growth prospects. As the year progresses, we will unfortunately see market disruptions," Huotari predicts.

Clear fall in the number of old-age pension decisions

Keva made almost 40% fewer old-age pension decisions during the first quarter of this year compared to the same period a year earlier. Two background factors explain this: the increase in the retirement age and the index development.

26.4.2023

The retirement age for those reaching retirement this year is 64 years 3 months, which explains the low number of applications since the early part of the year. According to Jaakko Kiander, the background is also the index development, which caused people of retirement age to apply for a pension in large numbers at the end of last year.

“Last year’s development in disability decisions seems to be continuing: there are more applications for full disability pensions in particular and fewer for partial disability pensions;” Kiander says.

Rehabilitation decisions continue to decrease. The wellbeing services counties reform may have contributed to the decrease in application numbers and may have pushed back the initiation of work ability processes.

Support for wellbeing services counties in the launch phase

Responsibility for organising health and social services transferred to the wellbeing services counties from 1 January 2023. Keva has focused on advising on the new contribution structure and supported the new wellbeing services counties and the relinquishing municipalities, especially with regard to personnel with partial work ability.

“In the early part of the year, we also built close partnerships with wellbeing services counties and supported, for example, in building well-functioning work ability management practices and processes,” Kiander says.

Wellbeing services counties included in Keva’s administration

The Act on Keva has been amended so that going forward the wellbeing services counties are represented in Keva’s administration. Under the amended provisions, representatives of the municipalities and wellbeing services counties are elected from candidates put forward by the central municipal organisation and wellbeing services counties together for the composition of the councillors and Board of Directors. When electing councillors from municipalities and wellbeing services counties, starting from 2025 attention will be paid to the combined result of the local government and county elections held at the same time. In addition, the possibility was continued of a university of applied sciences limited liability company remaining a Keva member organisation after 2025 until the end of 2035. The amendments entered into force from 1 April 2023.

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The figures in this release are unaudited.