

## **Keva's interim report for 1 January – 30 June 2023**

### **Keva reports positive results**

**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 3.1% on investments for the first half of 2023. At the end of June, Keva's investments had a market value of EUR 63.2 billion, compared to EUR 62.5 billion a year earlier.**

Keva's investment operations generated a market value return of 3.1% for the first half of 2023. The return was 5.6% on listed equities and 3.9% on hedge funds. Private equity investments generated 1.2%, fixed income investments 1.6% and real estate investments (including real estate funds) -0.4%.

Listed equities and equity funds accounted for 32.1% and fixed income investments (including the impact of derivatives) for 25.4% of Keva's total investment assets. Of the other asset classes, private equity investments accounted for 19.1%, real estate investments for 7.6% and hedge funds for 7.1%.

Development of the economy and financial markets varied in the early part of the year. Even though the worst fears of recession were avoided, economic growth slowed considerably as a result of rising interest rates and rapid inflation among other things. Inflation slowed clearly in the early part of the year, in particular with lower energy prices, and it is believed that the fastest phase of monetary policy tightening is over. Nevertheless, the outlook is uncertain and a tighter economic policy affects economic development after a delay. During the summer, employment took a downward turn. Pay rises and one-off payments increased the sum of wages and salaries and this was reflected in a clear growth in contribution income from Keva member organisations.

"Despite the many uncertainties in the global economy, stock markets were up, particularly in the USA, and this also supported Keva's investment performance in the early part of the year," says Keva CEO **Jaakko Kiander**.

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 June 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 3.8%.

Keva CIO **Ari Huotari** says that earlier in the year risk was neither clearly rewarded nor punished.

"For example, domestic equities were in clear retreat, whereas North American technology stocks were steadily rising at the same time. Construction and the real estate sector were in poor shape, also globally. At current inflation levels, no spectacular real returns are to be expected even at an annual level, especially with concerns about economic development overshadowing the rest of the year," Huotari says.

#### **Increase in contribution income from Keva member organisations**

22.8.2023

Keva is the largest earnings-related pension provider in Finland and is responsible for instituting pension cover in the public sector.

Contribution income amounted to EUR 3.06 billion during the first half of the year, up 6.9% compared to a year earlier. Among other things, pay rises and one-off payments contributed to this increase. EUR 3.35 billion, up 8.8%, was paid out in local government and wellbeing services county pensions. The 2023 index increases and growth in the number of pension recipients contributed to this increase. Approximately 577,000 persons had earnings-related pension insurance at the end of June.

EUR 2.7 billion in State pensions, EUR 126 million in Evangelical Lutheran Church of Finland pensions, EUR 61 million in Social Insurance Institution of Finland (Kela) pensions and EUR 16 million in Bank of Finland pensions were paid out during the first half of 2023. The State, Evangelical Lutheran Church of Finland, Kela and Bank of Finland pay their own pension expenditure and share of operating costs to Keva.

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The figures in this release are unaudited.

22.8.2023

**Market value profit and loss account, €m**

	1-6/2023	1-6/2022	2022
Contribution income	3,055	2,857	5,820
Pension expenditure	-3,345	-3,074	-6,192
Net investment income*	1,920	-3,977	-4,620
Net operating costs, depreciation, etc.	-40	-38	-78
<b>Market value income</b>	<b>1,590</b>	<b>-4,233</b>	<b>-5,070</b>
Sum of wages and salaries of Keva member organisations	10,916	10,057	20,345

\* excluding investment operation costs

**Key figures**

	1-6/2023	1-6/2022	Change, %	2022
Pension and benefit decisions, Keva member org.	24,488	26,695	-8.3	58,966
Pension and benefit decisions, State	5,509	5,912	-6.8	12,877
Pension and benefit decisions, Church	870	885	-1.7	2,075
Pension and benefit decisions, Kela	267	307	-13.0	688
Pension and benefit decisions, Bank of Finland	59	74	-20.3	190
	6/2023	6/2022	Change, %	2022
Pension recipients, Keva member organisations	434,891	426,551	2.0	435,830
Pension recipients, State	228,697	233,470	-2.0	232,613
Pension recipients, Church	19,867	19,614	1.3	19,928
Pension recipients, Kela	6,002	5,989	0.2	6,057
Pension recipients, Bank of Finland	1,439	1,408	2.2	1,458
	6/2023	6/2022	Change, %	2022
Number of insured, Keva member org. (est.)*	576,722	563,302	2.4	573,945

\* The number of insured includes all persons in an employment or public service relationship (whether or not they had earnings), but other than those in an employment or public service relationship (family carers, informal caregivers, elected officials, etc.) only those whose earnings are > EUR 0 are included in the number of insured.

It should be noted that for reasons of selection technology, when viewing the situation for June (30 June), the earnings limit is stricter, i.e. earnings must be found explicitly for June. On the other hand, when reviewing the situation for December (31 December) the criterion is that earnings are found for the whole year concerned.

This means the situation in December is not directly comparable to that of June, e.g. from the aspect of the increase in the number of persons insured.