

Act on Keva (66/2016)

(in force as from 1 January 2017)

Adopted on 29 January 2016 (66/2016)
Amended 21 December 2016 (1261/2016)

The following is enacted by decision of Parliament:

Chapter 1 Scope of application and member bodies of Keva

Section 1 Scope of application

This Act lays provides for the pensions institution by the name of Keva. Keva is a pensions institution under public law administered by its member bodies and it is domiciled in Helsinki.

Section 2 Duties of Keva

Keva is tasked with attending to:

- 1) the implementation of pension cover as provided in the Public Sector Pensions Act (81/2016) for the personnel of local government, the State, the Evangelical Lutheran Church and the Social Insurance Institution, and the duties laid down in this Act;
- 2) the financing of the pension cover of the personnel in the employ of its member bodies with the exception of financing to which the Act on the Financing of State Pension Cover (67/2016) shall apply; and
- 3) collecting the pension contributions provided for in section 2, subsection 1 of the Act on the Financing of State Pension Cover and in section 3, subsection 1 of the Act on the Financing of Evangelical Lutheran Church Pension Cover (68/2016).

Keva shall attend to its duties referred to in subsection 1, paragraph 2 in a manner which safeguards the benefits belonging to pension cover.

Keva may provide pension administration services and the support services necessary for the management of these on a contractual basis also to groups of customers outside the scope of application of the Public Sector Pensions Act if the services do not involve the exercise of public authority.

Section 3 Member bodies of Keva

Municipalities and joint municipal authorities as well as Keva and the Municipal Guarantee Board are member bodies of Keva.

The following are entitled to become member bodies of Keva:

- 1) an association whose membership only comprises member bodies mentioned in subsection 1 or associations formed thereby;
- 2) a limited liability company wherein the company's entire stock is held by member bodies mentioned in subsection 1 or by associations that have become member bodies of Keva or by limited liability companies mentioned in this paragraph which have become member bodies of Keva;

3) a limited liability company or foundation in which control within the meaning of Chapter 1, section 5 of the Accounting Act (1336/1997) is exercised by one or more of the member bodies mentioned in subsection 1 and which is used to help provide services required for the fulfilment of the statutory duties of municipalities and functions directly in service of these; and

4) a limited liability company or foundation in which control within the meaning of Chapter 1, section 5 of the Accounting Act (1336/1997) is exercised by one or more of the member bodies mentioned in subsection 1 and in which the majority of employees were in the employ of a member body of Keva immediately prior to the establishment of the limited liability company or foundation.

An association, limited liability company or foundation which has become a member body shall notify Keva of any changes in its circumstances due to which it no longer meets the requirements provided for in subsection 2.

Section 4

Becoming a member body and expiry of membership

An association, limited liability company or foundation wishing to become a member body of Keva shall submit a written application to that effect to the Board of Directors of Keva. The Board shall decide whether the association, limited liability company or foundation meets the requirements provided for in section 3, subsection 2, and on the date on which membership shall commence.

Should it be established that the association, limited liability company or foundation that has become a member body no longer meets the requirements for membership provided for in section 3, subsection 2, or if the member body has announced in writing that it wishes to resign membership, the Board shall find membership to have expired after having heard the relevant member body. A member body shall notify of resignation no later than three months prior to expiry of membership.

Section 5

Bankruptcy of a member body

If an association, a limited liability company or a foundation that has become a member body is declared bankrupt, the bankruptcy estate can continue as a member body of Keva with the same rights and obligations as the other member bodies. Payment of the contributions provided for below in section 19 for the duration of a bankruptcy estate's membership shall be paid by the bankruptcy estate. The bankruptcy estate may withdraw from membership in Keva as laid down in section 4, subsection 2.

Chapter 2

Supervision

Section 6

General supervision

The general supervision of Keva is the task of the Ministry of Finance.

The Ministry of Finance may, for special reasons, order a special audit of Keva's administration and accounts.

The Ministry of Finance shall appoint for a period of no more than four years at a time an auditor who is tasked with auditing the accounting and other documentation of Keva to ensure that the calculations referred to in section 24 presented by Keva on the sum required to pay State pensions, Evangelical Lutheran Church pensions and Social Insurance Institution pensions and on the indemnification of Keva's costs provide a true and fair view. Furthermore, the auditor is tasked with auditing the accounting and other documentation of Keva to ensure that Keva has collected State and Church employer pension contributions as provided in section 2, subsection 1 of the Act on the Financing of State Pension Cover and in section 3, subsection 2 of the Act on the Financing of Evangelical Lutheran Church Pension Cover as well as employee pension contributions as provided in section 168, subsection 2 of the Public Sector Pensions Act and that the correct amount of pension contributions, as well as transition charges and Unemployment Insurance Fund contribution have been paid to the State Pension Fund and that the correct amount of pension contributions and Unemployment Insurance Fund contribution have been paid

to the Evangelical Lutheran Church. The auditor shall be either a KHT auditor [Authorised Public Accountant] or a JHT auditor [Chartered Public Finance Auditor] approved by Auditor Oversight. The provisions of the Auditing Act (1141/2015) shall apply to the audit.

Section 7 Supervision of financial planning and investment activities

The financial planning of Keva and the investment of Keva's funds are supervised by the Financial Supervisory Authority. Section 18 and 24 of the Act on the Financial Supervisory Authority (878/2008) apply to the Financial Supervisory Authority's right to information and inspection. The Financial Supervisory Authority shall annually submit a report on its supervision activities to the Ministry of Finance.

Chapter 3 Administration

Section 8 Council

Authority of Keva is exercised by the Council. The Council may in the rules of procedure of Keva transfer authority to the other organs of Keva. However, authority may not be transferred in matters which under this Act are to be decided by the Council or another organ.

The Council shall have thirty (30) members, each of whom shall have a personal deputy, all of whom shall be appointed by the Ministry of Finance for four calendar years at a time. At least four (4) members and as many deputies shall be appointed from among persons put forward by the principal contracting organisations referred to in the municipal main agreement. Other members and deputies shall be appointed from among those persons put forward by the Association of Finnish Local and Regional Authorities such that municipalities, joint municipal authorities and various parts of the country enjoy fair representation on the Council. The share of votes received by the various groups in municipal elections in accordance with the principle of proportionality provided for in the Elections Act (714/1998) shall also be taken into account in the appointment of these members and deputies.

The Council is responsible for:

- 1) electing the members and deputy members of the Board of Directors and the auditor for a term of office not to exceed that of the Council;
- 2) deciding on Keva's rules of procedure, supplementary pension rules and accounting rules;
- 3) hiring or dismissing the managing director or assigning him or her to other responsibilities should he or she have lost the confidence of the Council;
- 4) deciding the grounds for the remuneration and other emoluments to be paid to elected officials;
- 5) deciding on the payment contributions of member bodies as provided for in section 19;
- 6) considering the financial statements and auditor's report and deciding on the adoption of the financial statements, discharge from liability to the Board of Directors and other accountable persons and any other warranted steps;
- 7) 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.

Section 9 Board of Directors

Administration of Keva shall be vested in its Board of Directors which is elected by the Council for a term of two years at a time such that its term of office lasts until the subsequent Board has been elected.

The Board of Directors shall have nine members, each of whom shall have a personal deputy. Two members and their deputies shall be elected from among persons jointly put forward by the principal contracting organisations referred to in the municipal main agreement. The Council shall appoint one ordinary member of the Board as Chairman and one as deputy Chairman.

Members of the Board of Directors shall be persons of good repute who possess good expertise in employment pension activities. The Board shall also possess good expertise in investment activities.

The Board of Directors shall be responsible for:

- 1) preparing matters for consideration by the Council and ensuring that the Council's decisions are carried out;
- 2) directing and supervising the operations of Keva;
- 3) preparing a plan concerning the investment of pension assets and also dealing with other matters of importance in principle or of far-reaching scope in terms of investment activities;
- 4) attending to the organisation of Keva's internal control and risk management functions.

The Council may dismiss the Board of Directors in mid-term should one or more of its members have lost the confidence of the Council. A decision to dismiss shall concern all members of the Board. In such a case, the Council shall elect a new Board of Directors for its remaining term of office.

Section 10

Ownership steering principles

The Board of Directors of Keva shall adopt the principles to be observed in the exercise of the rights arising to Keva from its holdings in other corporations (ownership steering principles). These principles shall also encompass an assessment of the memberships held by the managing director and employees of Keva on the governing bodies of other corporations or foundations, taking into account the interests of Keva.

Keva shall publish its ownership steering principles.

Section 11

Register of positions of trust

Keva shall maintain and keep up to date a public register of the memberships held by the members of its Board of Directors and its managing director on the boards of directors, supervisory boards and equivalent bodies of other corporations or foundations of economic or social significance, with the exception of limited liability housing companies.

The register referred to above in subsection 1 shall also contain information about the memberships on the boards of directors, supervisory boards or equivalent bodies of other corporations or foundations held as part of their job duties by other senior management in the employ of Keva and by persons making or preparing investment decisions on behalf of Keva, with the exception of memberships on the boards of directors of limited liability housing companies

Section 12

Conflicts of interest policy

Keva shall have in place a written conflict of interests policy approved by its Board of Directors which lays down the procedures to be observed in the identification and prevention of conflicts of interest.

Section 13

Transactions with management and their related parties

The decision on a significant transaction concerning Keva shall be made by its Board of Directors when the other party in the transaction is:

- 1) a member of Keva's Council or Board of Directors, its managing director, auditor or deputy auditor, or an employee of its auditing firm who has primary responsibility for the audit;
- 2) a member of Keva's senior management who has the authority to make decisions concerning the organisation of the operations of Keva;
- 3) the spouse or partner within the meaning of the Act on Registered Partnerships (950/2001) of a person referred to in paragraphs 1 and 2, a person under the guardianship of a person referred to in paragraphs 1 and 2, or the common-law spouse of a person referred to in paragraphs 1 and 2 with whom the cohabitation has lasted at least one year.

Keva shall maintain and keep up to date a public register of the transactions referred to in subsection 1, the parties to the transactions, and the key terms and conditions of the transactions. The administration of this register shall be arranged in a reliable manner. The data entered in the register shall be maintained for a period of five years from entry. The personal identity code and address of a natural person and the name of a person referred to in subsection 1, paragraph 3 shall not be made public, however.

The provisions of subsections 1 and 2 shall also apply to transactions concluded between Keva and a party other than a person referred to in subsection 1 when the apparent purpose of the arrangement has been to circumvent the provisions laid down in subsections 1 and 2.

Section 14 Keva's management

The operations of Keva shall be run by the managing director under the Board of Directors. A director's contract may be made with the managing director. Keva may decide to pay the managing director severance pay.

The qualification requirements for the position of managing director and deputy managing director shall be a higher university degree, the broad range of experience required by the position, and proven leadership and management skills.

Section 15 Officeholders at Keva

Keva duties in which public authority is exercised shall be carried out by officeholders in a public service employment relationship. The Act on Municipal Officeholders (304/2003) shall apply to officeholders at Keva.

Section 16 Elected officials

The provisions concerning criminal liability for acts in office shall apply to the elected officials of Keva when carrying out the duties referred to in this Act. The provisions governing liability for damages are laid down in the Tort Liability Act (412/1974).

Should the post of an elected official become vacant in mid-term, a successor to replace the official shall be appointed or elected for the remaining term of office.

Section 17 Rules of procedure

The requisite regulations concerning the organs of Keva and their composition, tasks and term of office as well as other activities of Keva shall be issued in the rules of procedure.

Section 18 State advisory committee on disability and rehabilitation

The State advisory committee on disability and rehabilitation which is tasked with monitoring and directing work capacity assessment and vocational rehabilitation shall be based at Keva.

The advisory committee shall consist of a chairman and five other members. The members shall be appointed by the Ministry of Finance for a term of four years at a time. One of the members shall represent the Ministry of Finance, one Keva and one the State Treasury. Three of the members shall be appointed from among persons put forward by the most representative central organisations of State officeholders and employees. The Ministry of Finance shall select one member to serve as Chairman.

Chapter 4 Financing

Section 19 Payment contributions of member bodies

The expenses of Keva incurred from managing the pension cover of the personnel of member bodies shall be shared by member bodies each financial year. The share of costs decided by Keva's Council shall be divided on a pro rata basis to the total earnings as referred to in section 85 of the Public Sector Pensions Act of persons in the employ of Keva's member bodies. The Council may also decide to divide some of the costs in proportion to the total pensions or pension parts paid on the basis of member body service accrued from service in the member bodies.

Furthermore, a member body undertakes to pay to Keva the percentage excesses for the various types of pension defined on the grounds verified by the Council.

A member body may be charged for its payment contributions in advance during the financial year.

Keva's Council shall provide more detailed instructions on the grounds of paying the payments referred to in subsections 1 and 2.

Section 20 (1261/2016) Collection of payment and limitation of payments receivable

Keva must levy any pension contribution based on this Act to be paid within five years from the beginning of the following year after the due date of the final payment. A payment contribution receivable is deemed as arising on the maturity date of a final payment under this Act. A payment prescribed under this Act, together with any annual penalty interest on arrears accruing thereon as calculated in accordance with the interest rate referred to in section 4, subsection 1 of the Interest Act (633/1982) are directly eligible for enforceable proceedings. Collection of such receivables is provided for under the Act on the Enforcement of the Collection of Taxes and Tax-like Charges (706/2007). In addition, the collection of amounts outstanding is provided for under the Act on the Debt Collection (513/1999).

The right to a refund of any pension contribution made without cause shall be extinguished after five years from the beginning of the following year after the due date of the final payment unless limitation has been discontinued prior to that time. A new discontinuation period of five (5) years begins from the date limitation was discontinued. Limitation is discontinued as provided for in section 10 or 11 of the Act on the Limitation of Debts (728/2003).

Section 21 Pension liability fund

The expenses referred to in section 19, subsection 1 above shall also include transfers to the pension liability fund, set up to balance pension expenses, in accordance with separate decisions of Keva's Council.

Assets of the pension liability fund shall be invested securely and profitably, ensuring that they can be readily cashed and are spread over a diverse portfolio. The Board of Directors of Keva, which may assign its authority to the officeholders and employees of Keva in the manner provided in Keva's rules of procedure, shall decide on investment of the assets.

Section 22 Investment advisory committee

Keva shall have an investment advisory committee to foster investment activities and to further the flow of information between the parties referred to in subsection 2. The committee is an advisory body that considers the outlines for the trends of development and operations policy of Keva's investment activities.

The Board of Directors of Keva shall appoint ten members, each with a personal deputy, to join the investment advisory committee for its term of office. Three of these members shall represent the Ministry of Finance, one the Ministry of Employment and the Economy and two the principal contracting organisations referred to in section 3 of the municipal main agreement.

Section 23 Supervision fee and certain other fees

Provisions on the supervision fee are laid down in the Act on the Supervision Fee of the Financial Supervisory Authority (879/2008).

The expenses referred to in section 19, subsection 1 above shall also include a supervision fee, a legal administrative fee prescribed pursuant to section 16 of the Employee Pensions Appeal Board Act (677/2005) and share of costs and service fee relating to activities prescribed pursuant to section 5 of the Act on the Finnish Centre for Pensions (397/2006).

A member body undertakes to pay the payment contributions in accordance with the grounds adopted by Keva's Council for the total sum of pay of those employees for whom supplementary pension cover as referred to in section 8 of the Public Sector Pensions Act (81/2016) is arranged.

Section 24 Payment of the pension expenditure of the State, the Evangelical Lutheran Church and the Social Insurance Institution and compensation of Keva's costs

The State, the Central Church Fund of Finland and the Social Insurance Institution shall pay to Keva in advance the sum required to pay pension benefits. If the actual amount of costs is higher or lower than the estimated amount, the difference shall be accounted for in arrears as an adjustment item.

The State Pension Fund shall pay to Keva compensation for performing the duties related to pension cover accruing from State service. Compensation shall be paid to Keva also by the Social Insurance Institution for managing the pension cover of its employees and by the Central Church Fund of Finland for persons employed by the Evangelical Lutheran Church. The Ministry of Finance confirms the amount of the compensation in euros to be paid by the State Pension Fund, the Central Church Fund of Finland and the Social Insurance Institution to Keva as an advance payment. Keva shall submit to the Ministry of Finance a calculation of the amount of compensation. The amount of the compensation shall be calculated in a manner corresponding to the cost price referred to in section 6 of the Act on Criteria for Charges Payable to the State (150/1992). The compensation shall be paid monthly in equal instalments based on an advance estimate of the amount of the costs for the year in question. If the actual amount of costs is higher or lower than the estimated amount, the difference shall be accounted for in arrears as an adjustment item.

The Ministry of Finance, the Central Church Fund of Finland and the Social Insurance Institution shall evaluate at five-year intervals the achievement of the objectives imposed to the cost-effectiveness and quality of pension management. To this end, Keva shall provide said bodies with adequate information.

Further provisions on the transfer of funds required to pay the pensions of employees of the State, the Evangelical Lutheran Church and the Social Insurance Institution and on the compensation of costs to Keva are issued by a Government Decree.

Chapter 5 Risk management, internal control and internal audit

Section 25 Risk management

Keva shall have in place a risk management system that is adequate with regard to the nature and scope of its activities. The risk management system shall comprise the ongoing identification, monitoring, control and reporting of the risks and the combined effects of risks to which Keva is exposed.

Risk management shall cover the following sectors:

- 1) investments;
- 2) liquidity;
- 3) concentration risks; and
- 4) operational risks.

Keva shall have in place a risk management function which shall be independent of the risk-taking functions.

Section 26 Internal control

Keva shall have in place internal control covering its accounting, administration, investment activities and other key functions. Internal control also includes ensuring appropriate reporting at all organisational levels of Keva.

Internal control shall include a compliance function, which shall also evaluate the adequacy of any action taken in Keva to prevent and remedy any possibly appeared compliance defects.

Section 27 Internal audit

Keva shall have in place an internal audit which evaluates the adequacy and efficacy of internal control and other administration.

The internal audit shall be independent of Keva's operational activities.

The findings and recommendations for action of the internal audit shall be reported at least once annually to the Board of Directors and the managing director, who shall decide on the action to be taken in consequence of the findings and recommendations. The internal audit is also tasked with ensuring that such action is in fact taken.

Section 28 Duty to submit declaration of insider holding

An insider of Keva shall disclose to the insider register of Keva referred to below in section 30 information on shares traded in Finland in a regulated market or in a multilateral trading system as well as financial instruments whose value is determined on the basis of such shares (declaration of insider holding).

An insider of Keva means:

- 1) the chairman and deputy chairman of Keva's Council, the members and deputy members of Keva's Board of Directors, the managing director of Keva and his or her deputy, and Keva's auditor and an employee of its auditing firm who has primary responsibility for the audit of Keva;

2) another employee of Keva who has an opportunity to influence decisions on investing Keva's funds or who otherwise has regular access to insider information concerning such shares or financial instruments.

Section 29

Declaration of insider holding

The declaration of insider holding shall be submitted within fourteen days of the appointment of the insider to a position referred to in section 28, subsection 2.

The declaration of insider holding shall mention:

- 1) any person under the guardianship of the insider;
- 2) any corporation or foundation in which the insider or the person under guardianship referred to in paragraph 1 exercises direct or indirect control;
- 3) the holdings of the insider and the person under guardianship referred to in paragraph 1 and the corporation or foundation referred to in paragraph 2 of shares traded in Finland in a regulated market or in a multilateral trading system as well as of financial instruments whose value is determined on the basis of such shares.

During his or her tenure in position, the insider shall within seven days disclose to Keva:

- 1) acquisitions and disposals of the shares and financial instruments referred to in subsection 2, paragraph 3 when the change in holding amounts to 5,000 euro at least;
- 2) any other changes in the information referred to in this section.

The duty to disclose does not apply to information referred to above in subsection 2, paragraphs 2 and 3, inasmuch as the information concerns a limited liability housing company, a limited liability joint-stock property company within the meaning of Chapter 28, section 2 of the Limited Liability Housing Companies Act (1599/2009), an ideological or economic association, or a non-profit organisation. Information on an organisation which engages in regular trading in financial instruments shall be disclosed, however.

The declaration of insider holdings shall give the details required to identify the person, corporation or foundation concerned and the details of the shares and other financial instruments.

When the shares or financial instruments referred to in subsection 2, paragraph 3 have been entered in the book-entry securities system, Keva can put in place an arrangement whereby the information is obtained from the book-entry securities system. In such a case, no separate declaration of insider holdings is required.

Section 30

Insider register

Keva shall maintain a register of declarations of insider holdings (insider register) indicating for each insider the shares and financial instruments held by the insider, the person under guardianship referred to in section 29, subsection 2, paragraph 1 and the corporation or foundation referred to in section 29, subsection 2, paragraph 2, as well as an itemisation of all acquisitions and disposals thereof.

When the shares and financial instruments referred to in section 29, subsection 2, paragraph 3 have been entered in the book-entry securities system, Keva's insider register may in this respect be constituted with information available from the book-entry securities system.

The administration of the insider register shall be organised in a reliable manner. The data entered in the register shall be retained for a period of five years from entry. Anyone shall have the right to obtain extracts and copies from the register against compensation equal to costs. The personal identity code and address of a natural person and the name of a natural person who is not an insider shall not be made public, however.

Section 31

Supervision of declarations of insider holdings and the insider register

Compliance with the provisions in sections 28–30 concerning declarations of insider holding and insider register shall be supervised by the Financial Supervisory Authority. The provisions in section 7 concerning the supervision of the financial planning of Keva and the investment of Keva's funds shall apply to the supervision of declarations of insider holdings and the insider register.

Chapter 6 Appeal

Section 32 Appeal procedure

A party concerned and a member body may appeal against a decision issued by Keva in matters other than those concerning pension right by lodging an appeal with Helsinki Administrative Court, in the jurisdiction of which Keva is domiciled, in the manner provided for in the Administrative Judicial Procedure Act (586/1996).

Section 33 Service of decisions

A decision shall be served on the parties concerned by means of regular service, on which the provisions are laid down in section 59 of the Administrative Procedure Act (434/2003) and in section 19 of the Act on Electronic Services and Communication in the Public Sector (13/2003).

The minutes of meetings of Keva's Council and Board of Directors inclusive of instructions for appeal shall be made available for review in a public information network subsequent to scrutinisation subject to the provisions concerning confidentiality. When a matter is confidential in its entirety, only a mention of the consideration of the matter shall be published in the minutes. Only the personal details essential to information shall be published in the minutes. Any personal details included in the minutes shall be removed from the information network upon expiration of the appeal period.

A member body shall be deemed to have been served with a decision of Keva's Council or Board of Directors within seven days of the minutes having been made available for public review in the manner laid down in subsection 2.

Chapter 7 Miscellaneous provisions

Section 34 Derogation from disqualification

The provisions of section 28, subsection 1, paragraphs 4 and 5 of the Administrative Procedure Act notwithstanding, an elected official, officeholder and employee of Keva may deal with a matter that concerns a member body of Keva or a person in the employ of a member body or another person under pension cover as provided in the Public Sector Pensions Act.

Section 35 Audit and financial statements

The accounts and administration of Keva shall be audited by a body of auditors approved by Auditor Oversight and appointed by the Council.

Keva shall prepare its financial statements for each calendar year. The provisions of the Accounting Act shall apply to the preparation of the financial statements as appropriate.

Section 36
Cooperation

Keva may agree on cooperation and indemnification of the costs arising therefrom with the Finnish Centre for Pensions and other pensions and insurance institutions.

Section 37
Entry into force

This Act enters into force on 1 January 2017.

The provisions of section 4, subsection 2 notwithstanding, limited liability companies which have become member bodies of Keva before 1 January 2007 retain their membership when control within the meaning of Chapter 1, section 5 of the Accounting Act in the limited liability company is exercised by one or more member body mentioned in section 3, subsection 1.

Section 38
Transitional provisions concerning the term of the Council and the Board of Directors

Section 8, subsection 2 of this Act concerning the term of office of the Council shall first be applied to the Council appointed in 2017. The term of office of the Council in office at the time of entry into force of this Act shall continue until the end of 2017.

The term of office of the Board of Directors in office at the time of entry into force of this Act shall continue until the subsequent Board of Directors has been elected by the Council to be appointed in 2017.