

23.8.2012

Keva's Interim Report 1 January–30 June 2012: Good return on Keva's investments in the first half of the year

Keva, which handles funding for local government pensions and pension fund investments, recorded a 6.0 per cent return on investments in the first half of 2012. The market value of Keva's investments was EUR 31.8 billion at the end of June. Contribution income amounted to EUR 2.5 billion, and local government pensions paid out totalled EUR 1.9 billion. The market-value result was EUR 2.3 billion. The number of insured local government employees was around 517,000 at the end of June.

According to Keva's CEO and Managing Director, Merja Ailus, Keva's investment activities have generated even excellent returns, particularly considering both the continuing restlessness in the capital markets in the first half of the year and the strong market fluctuations.

"In times like these, however, it is of primary importance to continue to ensure that investment risks are managed appropriately," Ailus stresses.

The market value return on investments after expenses was 6.0 per cent in January–June. The return on fixed income investments was 5.4 per cent, the return on listed equities 7.6 per cent and the return on real estate investments (including real estate funds) was 2.4 per cent. The return on private equity investments was 7.0 per cent, on hedge fund investments 3.7 per cent and on commodities -3.3 per cent.

The market value of investments amounted to EUR 31.8 billion at the end of June (EUR 29.4 billion on 30 June 2011). Fixed income investments made up 46.7 per cent, listed equities 37.4 per cent, real estate investments 8.0 per cent and private equity investments 4.9 per cent of the investment portfolio. Hedge fund investments accounted for 2.2 per cent of the portfolio and commodity investments for 0.7 per cent.

"The first half of 2012 was really rather positive for Keva in terms of investment activities," says Ari Huotari, Keva's Chief Investment Officer.

But Huotari is quick to point out the high probability that we will again face market turmoil in the autumn along with the next phases of the euro crisis.

"In addition, as history has shown, the upcoming presidential elections and ensuing political battles in the US are also likely to ruffle the markets," Huotari estimates.

23.8.2012

The local government pension system's payroll amounted to EUR 8.1 billion from January to June, up 6 per cent on the corresponding period a year earlier. Keva's contribution income increased to EUR 2.5 billion. The number of local government pension recipients was around 350,000 at the end of June. During the period under review, local government pensions were paid out in the amount of EUR 1.9 billion, an increase of around 8 per cent on the same period in 2011.

Pensions paid by Keva to the State, the Church and Kela's salaried employees

Since the start of 2012, Keva has handled the implementation of pension security for nearly the entire public sector. State pensions paid out between January and June amounted to EUR 1.9 billion and Evangelical Lutheran Church pensions to some EUR 84 million. Pensions for Kela's salaried employees amounted to around EUR 41 million. The State, the Evangelical Lutheran Church and Kela pay their respective pension expenses as well as their share of the operating costs to Keva.

Renewal of the pension processing system caused slight delays in customer service

The first half of 2012 was very busy for Keva's pension solutions operations, as the new pension processing system was gradually taken into use.

"This at times caused some temporary bottlenecks in customer service and pension processing. Pension processing times increased slightly, but Keva still processes pension matters and applications faster than average in the earnings-related pension sector," says Executive Director Pertti Männistö.

"We are already more than halfway through switching over to the new pension processing system, and we are catching up to our pension processing times of previous years. We will continue to work out the bottlenecks during the autumn, however. In future, we expect the new processing system to shorten our pension processing times even more and to make customer service flow smoothly," Männistö concludes.

Additional information:

Merja Ailus, CEO, tel. +358 20 614 2201 or +358 40 577 1907
Ari Huotari, CIO, tel. +358 20 614 2205 or +358 400 451 099
Tom Kåla, CFO, tel. +358 20 614 2211 or +358 40 772 7832
Pertti Männistö, Executive Director, tel. +358 20 614 2323 or +358 40 528 8482

23.8.2012

The six-month figures presented in this bulletin are unaudited.

Market-value profit and loss account, EUR million

	1-6/2012	1-6/2011	Change	2011
Contribution income	2,465	2,283	8.0%	4,545
Pension expenditure	-1,894	-1,749	8.3%	-3,524
Net investment income	1,799	141	1,176%	-466
Operating costs, depreciation, etc.	-39	-36	8.3%	-69
Market-value result	2,331	639	265%	486

Key figures

	1-6/2012	1-6/2011	Change	2011
Pension decisions (KuEL)	18,831	*	*	*
Pension decisions (VaEL)	5,944	*	*	*
Pension decisions (KiEL)	773	*	*	*
Pension decisions (Kela)	192	*	*	*
Number of pension recipients (KuEL)	349,970	343,000	2.0%	349,000
Number of pension recipients (VaEL)	272,870	275,530	-1.0%	275,000
Number of pensions paid (KiEL)	17,300	16,970	1.9%	17,180
Number of pensions paid (Kela)	5,770	5,700	1.2%	5,745
Local gov. payroll (KuEL), EUR m.	8,091	7,609	6.3%	15,376
Number of insured persons (KuEL)	517,000	511,000	1.2%	515,000
Market value of investments, EUR m.	31,830	29,377	8.4%	29,568
Return on investments at market value	6.0%	0.5%		-1.7%
Number of Keva's permanent personnel	523	534	-2.1%	524

* comparative figures not available