

## **Keva's interim report for 1 January to 30 June 2022**

### **Keva's investments in the red along with the market**

**Keva, which is responsible for the funding of local government pensions and the investment of pension funds, reported a return of -6.0% on investments for the first half of 2022. At the end of June, Keva's investments had a market value of EUR 62.5 billion, compared to EUR 63.3 billion a year earlier.**

Keva's investment operations generated a market value return of -6.0% for the first half of 2022. The return was 7.5% on private equity investments, 6.1% on hedge funds and 3.3% on real estate investments (including real estate funds). Fixed income investments generated -8.6% and listed equities -12.6%.

Listed equities and equity funds accounted for 32.0% of Keva's entire investment portfolio and fixed income investments (including the impact of derivatives) accounted for 28.9%. Of the other asset classes, private equity investments accounted for 19.0%, hedge funds for 7.4% and real estate investments for 7.1% of the portfolio.

Keva CEO **Jaakko Kiander** considers the decrease in investment value to have remained moderate.

'The war in Ukraine and the rapidly rising inflation generated a sharp decrease in share prices at the beginning of the year, which could have led to an even weaker result,' Kiander says.

According to Kiander, the funding of local government pensions is still on a firm financial footing.

Keva's long-term return on investments has been very good. The cumulative, capital-weighted real return on investments since funding began in 1988 to the end of June 2022 was 3.9% a year. The average real return, excluding capital weighting, over the same period was 5.1%. The real return, excluding capital weighting, over the past five years has been 2.9% and the ten-year real return 5.0%.

According to Keva CIO **Ari Huotari**, the investment portfolio was also affected by rising interest rates, which made the existing fixed income investments fall into the red.

'Since the end of June, the stock market has experienced a significant improvement. However, the prospects for the rest of the year remain worrying,' Huotari says.

### **State, Church, Social Insurance Institution of Finland and Bank of Finland pensions**

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 €2.91 billion during the first half of the year and €3.07 billion in local government pensions was paid out over the same

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period. Approximately 566,000 persons had earnings-related pension insurance at the end of June.

€2.49 billion in State pensions, €116 million in Evangelical Lutheran Church pensions, €56 million in Social Insurance Institution of Finland (Kela) employee pensions and €14 million in Bank of Finland pensions were paid out during the first half of 2022. The State, Evangelical Lutheran Church, 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.

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

	<b>1-6/2022</b>	<b>1-6/2021</b>	<b>2021</b>
Contribution income	2,911	2,853	5,703
Pension expenditure	-3,074	-2,936	-5,915
Net investment income*	-3,976	5,434	9,153
Net operating costs, depreciation, etc.	-39	-37	-78
<b>Market value income</b>	<b>-4,178</b>	<b>5,314</b>	<b>8,864</b>
Sum of wages and salaries of Keva member organisations	10,068	9,728	19,462

\* excluding investment operation costs

**Key figures 1-6/2022**

	<b>1-6/2022</b>	<b>1-6/2021</b>	<b>Change, %</b>	<b>2021</b>
Pension and benefit decisions, local govt.	26,699	27,677	-3.5	52,705
Pension and benefit decisions, State	5,913	5,795	2.0	11,015
Pension and benefit decisions, Church	885	926	-4.4	1,823
Pension and benefit decisions, Kela	307	322	-4.7	625
Pension and benefit decisions, Bank of Finland	74	84	-11.9	151
	<b>6/2022</b>	<b>6/2021</b>	<b>Change, %</b>	<b>2021</b>
Pension recipients, local govt.	426,551	422,051	1.1	423,827
Pension recipients, State	233,470	239,357	-2.5	237,008
Pension recipients, Church	19,614	19,540	0.4	19,573
Pension recipients, Kela	5,989	5,968	0.4	5,965
Pension recipients, Bank of Finland	1,408	1,407	0.1	1,404
	<b>6/2022</b>	<b>6/2021</b>	<b>Change, %</b>	<b>2021</b>
No. of local govt. employees insured (est.)	566,000	550,000	2.9	560,000