

Unemployment Insurance Fund's Financial Statement Release for 2018

The Unemployment Insurance Fund's result for the financial year 2018 showed a surplus

- Unemployment insurance contributions and other income in total EUR 3,801(4,011) million
- Unemployment benefits paid and administrational expenses in total EUR 2,922 (3,434) million
- Change in net position (for the financial year) EUR 872 (572) million
- Net position EUR 969 (106) million
- Investments and assets in total EUR 1,687 (1,125) million
- Raised debt and other liabilities in total EUR 718 (1,018) million
- Unemployment rate on average 7.4% (8.6%)
- Return on investments -0.2% (0.1%)

Financial information for 2017 is presented in parentheses.

Managing Director Janne Metsämäki:

The positive development of Finland's economy continued in 2018, although forecasts began to be revised downwards at the end of the year. The good state of economic development was again reflected in the Unemployment Insurance Fund's finances, as the number of people in employment increased and the number of unemployed jobseekers continued to decrease.

The unemployment insurance contribution accrual exceeded the expectations as the total payroll increased and the total volume of earnings-related benefit payments decreased. The performance of the Fund's finances was therefore considerably stronger than expected, with a record surplus of EUR 872 million. This also meant that TVR's business cycle buffer – its net position – approached EUR 1 billion at the end of 2018.

Strong economic growth in recent years has improved TVR's financial position and, going forward, the Employment Fund's financial position. The Fund's accrual of a strong business cycle buffer will improve its opportunities to safeguard an even development of unemployment insurance contributions, which is one of the strategic goals set for the Employment Fund. The positive development of the economy and employment has enabled the buffer to be increased while the amount of unemployment insurance contributions has been decreased.

The Unemployment Insurance Fund entered its 20th year of operation last year. The jubilee year was celebrated with hard work. In the first half of the year, TVR modernised its operations and organisation. The modernisation included preparations for the introduction of the Incomes Register, improvements to customer service and more efficient collaboration between different service groups.

A major focus area in 2018 was preparation for the merger of TVR and the Education Fund. All of the personnel were involved in preparing for the merger. Preparations were made on a merger project, which required the work of a large group of personnel from both funds. The merger project paid special consideration to ensuring that personnel from both funds had the opportunity to participate in preparing the mission and vision, strategic goals and values of the new fund in several different ways. The personnel were very active in their participation.

2018 was a busy year of preparation for several changes. This required good collaboration and an excellent team spirit. The personnel of the funds deserve a big thanks for making a strong contribution to the merger project while they also took care of the statutory responsibilities of the funds.

The members of the Unemployment Insurance Fund's Board of Directors and Supervisory Board changed in 2018. Going forward, there will be as many representatives of employers and employees in the administrative organs. The change was related to the competitiveness pact, as well as to the fact that the average contribution paid by employers is the same as the employees' unemployment insurance contribution.

The merger of the funds was also a key factor in the work of the funds' Boards in the year under review. Preparations for the merger were coordinated by a preparatory group consisting of representatives of labour market organisations. The legislative amendments related to the merger were confirmed in June 2018 and the various parts of the merger project proceeded as planned.

The Fund's credit rating was confirmed in September 2018, remaining on a par with the Finnish Government's credit rating.

The Unemployment Insurance Fund made preparations for the deployment of the Incomes Register. The legislation applying to the determination of unemployment insurance contributions was amended and a new system for processing unemployment insurance contributions was built in anticipation of the Incomes Register. The aim of all of this preparation was to make full use of the Incomes Register's features and lighten the administrative burden on employers.

Operational environment of the Unemployment Insurance Fund

Performance of the Unemployment Insurance Fund's finances during 2018 was considerably stronger than expected.

The Unemployment Insurance Fund's administration approved the budget in August 2017. At that point, the Fund was expected to yield a surplus of EUR 397 million in 2018. The economy continued to strengthen in 2018 and unemployment decreased substantially. The financial statements show a surplus of EUR 872 million for 2018. The Unemployment Insurance Fund's net position was a surplus of EUR 969 million at the end of the financial period, while the corresponding figure for 2017 was EUR 106 million.

The Finnish economy improved in 2018. Foreign trade, domestic consumption and investment all increased. Finland's gross output improved by an estimated 2.3%. The unemployment rate and the number of unemployed jobseekers decreased sharply. The rate of employment continued to increase, and the total amount of wages and salaries also grew. However, the total amount of unemployment insurance contributions collected decreased slightly due to lower unemployment insurance contributions for 2018. The total amount of contributions collected clearly surpassed the payment settlements made for earnings-related benefit expenses. The Fund's benefit payments also decreased by 15% year on year.

Unemployment Insurance Funds's finances

The Fund's real income amounted to EUR 3,801 (4,011) million and expenses EUR 2,922 (3,434) million. The financial year's surplus amounted to EUR 872 (572) million.

The planning and management of the Unemployment Insurance Fund's finances are largely based on forecasts of the development of the unemployment rate, unemployment expenses, the employment rate and wages. Under normal conditions, the Fund must set the insurance contributions at the sufficient level where all projected expenses could be covered with the insurance contributions.

The unemployment insurance contributions are set for one year at a time. When the contributions are changed, the employers' average contributions and employees' contributions are normally changed by the same percentage. In 2018, the contributions were changed under the Competitiveness Pact, resulting in a decrease in the employers' unemployment insurance contributions and an increase in the employees' contributions. Both contributions were approximately 1.9% of payrolls in 2018.

The forecast deviation in the change in net position between the budget, which is prepared in August in the preceding year, and the financial statements, which are prepared more than a year later, has averaged 5% of expenses over the last five years. In 2018, the forecast deviation was larger than average.

The Fund's liquidity remained good in 2018. Benefit payments to beneficiaries shrunk year-on-year, cash flow remained positive and substantial debt repayments were made.

The Unemployment Insurance Fund will make a proposal for the amounts of the following year's contributions to the Ministry of Social Affairs and Health by the end of August (Act on the Financing of the Unemployment Benefits, section 18(6)). This accelerated timetable will increase the uncertainty of the following year's economic and employment forecast. The unemployment insurance contribution rates are ratified by Parliament on the basis of a government proposal. The draft bill for contributions can be amended during the parliamentary proceedings.

On 30 August 2018, the Unemployment Insurance Fund proposed to the Ministry for Social Affairs and Health a decrease of 0.41 percentage points to the employers' average unemployment insurance contributions and a decrease of 0.4 percentage points to the employees' contributions. Parliament ratified the government's proposal at the end of November 2018.

Debt financing

The Unemployment Insurance Fund has issued one bond series in a total amount of EUR 600 million. The bonds were issued in 2015 and they will mature on 23 September 2019. The bonds are part of the European Central Bank's Public Sector Purchase Programme (PSPP). Standard & Poor's (S&P) has given TVR a credit rating of AA+ with a stable outlook. The Finnish government has also been granted the same credit rating.

TVR has access to a standby credit line of EUR 400 million. It is linked to a state guarantee of EUR 440 million by the Finnish government. The credit facility was not utilised during 2018.

On 18 December 2018, the Board of Directors of the Unemployment Insurance Fund approved a debt servicing plan for 2019.

Investing activities

The Unemployment Insurance Fund carries out investment activities to the extent necessary to manage the timing differences in the cash flows generated by its income and expenses, and for liquidity management purposes. Since 2015, the Fund's investment portfolio has been largely financed by debt financing. The Unemployment Insurance Fund's total investments and financial assets were EUR 1,687 (1,125) million at the end of the period under review.

Financial markets showed quite a large amount of fluctuation in 2018. The ECB discontinued its programme of bond purchases in 2018 but it left the reference interest rate at zero. The US Federal Reserve continued to increase the reference interest rate and market expectations remained in favour of rising interest rates.

Equity markets rose in the first half of the year but they mainly began trending downwards after the summer. The euro depreciated against the US dollar when the US Federal Reserve's interest rate rises increased the interest difference between the currencies. Long-term interest rates rose in the first half of the year but began to decrease in the second half of the year. By the final quarter of the year, capital markets had generally weakened as economic indicators pointed towards weaker development in the global economy.

Minor changes were made to the allocations in the Fund's investment portfolio during the year. TVR ran a tendering competition for portfolio management services to cover some of its assets. The Fund's aim was to retain a reasonably low risk level and protection for the investment portfolio, and good solvency continued to be emphasised in the allocation of investments. According to plan, the investment portfolio's average risk level rating was BBB/S&P, having been BBB+ at the end of the previous year. The investment plan was revised during the year, and the Fund invested actively in money market instruments, bonds and, to a lesser degree, also equities. At the end of the financial period, EUR 893 (537) million of the Fund's assets were invested in money market instruments, EUR 661 (433) million in bonds, EUR 15 (0) million in equities and EUR 6 (0) million in other asset classes.

In 2018, the Fund achieved a return of -0.2 (0.1) per cent on invested assets. The return corresponded reasonably well to the expected return stated in the investment plan. The return exceeded the benchmark return for investment activities.

Risk management

The purpose of risk management is to identify and manage risks that could endanger the solvency of the Unemployment Insurance Fund or the continuity of its operations, or that could have an negative adverse effect on the Fund's operational capabilities or the implementation of its strategy. Another objective of risk management is to support the achievement of strategic goals by monitoring the risks faced by the Fund, in order to ensure that they remain in proportion to the Fund's objectives and risk-bearing capacity.

The Unemployment Insurance Fund is widely linked to the Finnish national economy. For this reason, the unimpeded discharge of the Fund's key duties must be safeguarded in all circumstances. The Fund's finances are mainly managed by adjusting the unemployment insurance contribution amounts, determined on an annual basis. Maintaining unemployment insurance contributions at an appropriate, steady level is one of the Fund's core strategic goals.

The Fund seeks to limit investment risks to a level where their realisation will not result in such significant losses for the Fund, which would create pressure to increase the level of contributions or endanger the liquidity of the Fund. The investment and financing activities and risk limits of the Unemployment Insurance Fund are provided for in more detail in the investment principles approved by the Supervisory Board and the investment plan and the debt-management plan approved by the Board of Directors.

Market risk

The Board of Directors monitors the market risk of the investment portfolio of the Unemployment Insurance Fund on a monthly basis, and it is managed in accordance with the investment principles and investment plan through allocation decisions. When making the allocation decisions, the current market situation and outlook are taken into account. Furthermore, the investment decisions consider the size of the Fund's net position and the minimum limit for the amount of investments with less than 12 months maturity.

The investment plan contains target allocations for different types of investments and risk limits for different counterparties.

Market risk is measured by using stress test method, in which a risk indicator expressed as annual volatility is assigned to each investment class on the basis of historical fluctuations in value.

On 31 December 2018 and 31 December 2017, the market risks were as follows:

31 Dec 2018			
	Risk %	Capital, in EUR	Risk, in EUR
Bank deposits	0.5%	416,763,872	2,083,819
Money market	1.0%	476,192,838	4,761,928
State and municipal bonds	4.0%	212,909,815	8,516,393
Bank bonds	4.5%	317,840,392	14,302,818
Corporate bonds	5.0%	130,495,016	9,134,651
Equities	25.0%	15,053,647	3,763,412
Alternative investments	10.0%	5,944,351	594,435
Total risk	2.73	1,575,199,931	43,157,456

31 Dec 2017

	Risk %	Capital, in EUR	Risk, in EUR
--	--------	-----------------	--------------

Money market	1.0	536,517,540	5,365,175
Bonds	4.0	433,127,290	17,325,092
Shares	25	5,972	1,493
Total risk	2.34	969,650,802	22,691,760

The total risk was 2.74% (2.34%) of the Fund's assets and 1.1% (0.6%) of the Fund's income in 2018. The risk posed by the investment portfolio is moderate due to its conservative structure and the low risk level of the securities in the portfolio.

The main market risk factor for the Fund is interest rate risk. The investment portfolio is dominated by interest bearing investments (money market investments and bonds). The Fund may make investments directly, or indirectly through investment funds. On the balance sheet date, 9.3% (9.4%) of investments were indirect.

All money market investments carry variable interest (2017: 100%), while 29% (39%) of the bonds were at variable rates. Variable rate investments expose the Fund to cash flow interest rate risk, while investments at fixed rates expose the Fund to fair value interest rate risk.

If on the balance sheet date the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher with all other variables held constant, the total change in net position would have been EUR 7,272,962 (2,826,159) smaller. Respectively, if on the balance sheet date the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points lower, the total change in net position would have been EUR 7,274,941 (2,827,787) greater. This is due to changes in the fair values of fixed-interest investments. Equity investments are limited to a maximum of three per cent of the Fund's assets, and the price risk is, therefore, relatively minor in relation to total assets.

Credit risk

The credit risk of the investments is managed by issuer credit limits. Limits for each issuer are determined by taking account of the absolute size, economic position and future outlook of the issuer. The Fund continuously monitors the credit standing and future outlook of the issuers, and when changes occur, the limits are either increased or decreased. The Fund mainly invests in Nordic banks which have high credit ratings, best rated states (Finland, Germany, Holland and Sweden), domestic companies and municipalities. Cash and cash equivalents are only held in banks with high credit ratings.

The Fund may make investments in those funds whose corporate investments' average credit rating is BBB+ (A) (S&P) or Aa3 (Moody's). In addition, each individual investment made by the investment fund must be of investment grade with a credit rating of at least BBB- (S&P).

Investments in TVR's investment portfolio are diversified. Corporate risk cannot exceed 35% (35%) of the Fund's fixed income investments. In accordance with the investment plan, investments in each issuer of bonds may not exceed 10% (10%) of the Fund's all bond investments. Corporate investments are spread to 93 corporations on 31 December 2018, which corresponds to 22.1% of all fixed income investments (47 corporations on 31 December 2017; 20.4% of all fixed income investments).

Money market investments are made in depository banks monitored by the Finnish Financial Supervisory Authority, state debentures, municipal papers and commercial papers issued by corporations accepted in the investment plan. Credit ratings of the biggest Nordic banks are strong; not all corporations have credit rating; and, in accordance with the Finnish Financial Supervisory Authority, municipal risk corresponds to the state risk.

The investment portfolio's required average rating is BBB (2017: BBB) (S&P). Counterparty risk is managed so that the Fund uses several asset managers and dealers with good credit ratings. The Board of Directors approves every year the dealers and counterparties the Fund uses in its investing activities.

Liquidity risk

The Fund aims to manage liquidity risk as follows:

1. Liquid investments
2. Short-term borrowing
3. Increasing insurance contributions

To secure its liquidity, the Fund has investments in liquid money market instruments with less than a year's maturity at an amount that equals the Fund's one month's expenses.

When the liquidity buffer decreases below the above limit, the Fund uses short-term borrowings to cover the temporary liquidity deficit. For this purpose, the Fund has a commercial paper programme totalling EUR 300 (300) million and a EUR 400 million revolving credit facility (RCF), including a state guarantee, with four commercial banks. The amounts in the table are in EUR millions.

MEUR	31 Dec 2018	31 Dec 2017
Committed credit facilities, not in use		
Facilities expiring within a year		-
RCF (State guarantee)	400	
Facilities expiring after more than a year	-	-
RCF (State guarantee)	-	400
Total	400	400
 Non-committed credit facilities, not in use		
Commercial paper programme	300	300
Total	300	300

To finance its liquidity, the Fund mainly relies on the capital markets and domestic markets for commercial papers. At the end of 2018, the Fund had the following loan facilities and nominal amounts in use. Amounts are in EUR millions.

Loan	Nominal value 31 June 2018	Interest rate (%)	Due date	Credit rating
Bond issue 1	600	0.375	23 Sep 2019	AA+
Commercial paper	0			-
Total	600			

The Fund has the following issuance credit ratings, confirmed by Standard & Poor's (24 Sep 2018):

- Long-term credit rating AA+, stable outlook
- Short-term credit rating A-1+, stable outlook

At the end of 2018, the Fund had EUR 0 (0) million of the commercial paper programme in use and short-term bank loans amounting to EUR 0 (0) million.

A breakdown of the Fund's loans is presented in note 16. The fixed interest rate periods for loans in the statement of net position were as follows. Amounts are in EUR millions. Liabilities for securities under settlement matured within a couple of days from the reporting date.

Loan	Nominal value 31 June 2018	Interest rate tying time in years 31 Dec 2018	Credit rating
TVR bond 2019	600	0.73	AA+/S&P
Commercial papers	0	0	NR
Credit facilities	-	-	-
Total	600	0.73	

Loan	Nominal value 31 Dec 2017	Interest rate tying time in years 31 Dec 2017	Credit rating
TVR bond 2019	600	1.73	AA+
TVR bond 2018	300	0.79	AA+
Commercial paper	-	-	-
Credit facilities	-	-	-
Total	900	1.42	

In the following tables, TVR's financial liabilities are divided into groups based on the maturities of outstanding contracts.

Maturities based on contracts of financial liabilities (EUR thousand) 31 Dec 2018	Under 6 months	6–12 months	1–3 years	4–5 years	Total cash flow based on contracts	Book value assets (-) / liabilities
Accounts payable	578	0	0	0	578	578
Loans (excl. finance lease liabilities)	0	602,250	0	0	602,250	599,329
Total	602,250				0	602,828
						599,907

Maturities based on contracts of financial liabilities (EUR thousand) 31 Dec 2017	Under 6 months	6–12 months	1–3 years	4–5 years	Total cash flow based on contracts	Book value assets (-) / liabilities
---	----------------	-------------	-----------	-----------	------------------------------------	-------------------------------------

Accounts payable	476	0	0	0	476	476
Loans (excl. finance lease liabilities)	0	303,000	602,250	0	905,250	898,210
Total	476	303,000	602,250	0	905,726	898,686

Personnel

The Fund's Managing Director is Janne Metsämäki, LL.M.

The number of personnel was 117 (106) at the end of 2018 or 99.3 (90.3) person-years of work. Men accounted for 37 (36) of the employees and women accounted for 80 (70). The average employee age was 42 (41) and the average period of service was 4.4 (4.8) years.

The average number of training days per person was 2.2 (4).

The Fund has implemented a compensation system based on the complexity of work, and a bonus system that supports the achievement of the Fund's strategic objectives.

The rate of absence due to illness averaged 13.2 (10.3) days per person-year of work, which is 4.1% (3.3%) when calculated using EK's statistics.

Events since the end of the financial period

At the beginning of 2019, the Unemployment Insurance Fund and the Education Fund merged to form a new fund, the Employment Fund. There were no changes to the Fund's statutory responsibilities. The merger was executed at the beginning of the year as planned. The work at the start of the year has focused on ramping up the Employment Fund's operations and building a new organisation in relation to this. The Employment Fund's Board of Directors confirmed the new fund's strategy, and the fund has embarked on implementing the strategy.

Uncertainty regarding economic development has increased in the first part of 2019. The latest statistics and economic indicators point to a deceleration in economic activity in Finland's export markets, and the number of new orders taken by industrial businesses is no growing as rapidly as before. The Employment Fund expects to record a positive financial performance in 2019 and its net position is expected to strengthen further. According to the budget, the change in net position for 2019 should be a positive EUR 350 million. However, when the financial statements were being prepared, it was estimated that the change in the Fund's net position would be around EUR 500 million in 2019.

The Incomes Register will be deployed at the beginning of 2019 for payroll data. The Employment Fund will make use of data from the Incomes Register when it levies and collects unemployment insurance contributions. The Employment Fund has successfully transitioned to the Incomes Register.

Helsinki 26 March
Employment Fund
Board of Directors

CONDENSED FINANCIAL STATEMENTS AND NOTES

Basis of accounting policies

This Financial statement release has been prepared in accordance with IAS 34 standard. The accounting principles and calculation methods applied are the same as those in the 2017 financial statements. The figures of the Financial Statement Release are unaudited.

Statement of changes in net position

EUR	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Contributions collected			
Unemployment insurance contributions			
	5	3,800,919,963	4,010,991,493
Total contributions collected		3,800,919,963	4,010,991,493
Benefits paid			
Benefit payments			
	6	-2,909,120,555	-3,423,146,630
Administrative expenses	7	-12,582,164	-10,752,069
Total benefits paid		-2,921,702,719	-3,433,898,699
Net fair value gains on investments			
	13	-2,582,972	550,426
Finance costs			
	8	-4,499,178	-5,524,656
TOTAL CHANGES IN NET POSITION		872,135,094	572,118,564

Statement of net position

EUR	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment			
	9	298,579	312,231
Intangible assets	10	6,407,896	3,145,997
Other receivables	12	328,038	328,038
Total non-current assets		7,034,513	3,786,266
Current assets			
Unemployment insurance contribution receivables			
	11	14,375,712	11,711,483
Other receivables	12	90,549,480	139,553,775

Investments	14	1,158,436,059	737,643,948
Cash and cash equivalents	15	416,757,606	232,007,361
Total current assets		1,680,118,858	1,120,916,566
Total assets		1,687,153,371	1,124,702,832
For previous periods		97,168,311	-465,757,025
IFRS 9 adjustment 1 Jan 2018		-9,193,228	0
For the period		872,135,094	572,118,564
NET POSITION		969,303,405	106,361,539

LIABILITIES

Non-current liabilities

Loans	16	0	598,414,440
Total non-current liabilities		0	598,414,440

Current liabilities

Loans	16	599,329,140	299,795,460
Unemployment insurance contribution liabilities	11	2,395,459	23,859,168
Other liabilities	17	116,125,367	96,272,225
Total current liabilities		717,849,966	419,926,854
Total liabilities		717,849,966	1,018,341,294
Total net position and liabilities		1,687,153,371	1,124,702,832

Statement of cash flows

EUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Unemployment insurance contributions collected	3,703,168,448	3,958,182,518
Benefits paid	-2,902,122,123	-3,469,492,105
Interest paid	-8,789,081	-10,033,543
Net cash and cash equivalent used in ordinary operations	792,257,244	478,656,870
Cash flows from investing activities		
Purchases of property, plant and equipment	-538,698	-160,716
Proceeds from the sale of property, plant and equipment	200	505
Purchases of intangible assets	-3,522,569	-1,576,801
Purchases of investment instruments	-3,181,476,562	-2,199,341,984

Sales of investment instruments	2,877,702,591	2,029,433,053
Other non-current receivables	328,038	328,038
Net cash and cash equivalents generated from investments	-307,507,000	-171,317,905
Loans drawn and repaid	-300,000,000	-127,467,218
Net cash and cash equivalents generated from financing activities	-300,000,000	-127,467,218
Net increase/decrease in cash and cash equivalents	184,750,244	179,871,747
Cash and cash equivalents at beginning of year	232,007,361	52,135,615
Cash and cash equivalents at the end of the financial period	416,757,606	232,007,361

Business cycle buffer

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, in order to ensure liquidity and balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy, the Unemployment Insurance Fund maintains a business cycle buffer that accrues on the basis of the difference between the Fund's income and expenses. In 2018, the maximum value of the buffer was an amount corresponding to the annual expenditure for an unemployment rate of seven percentage points. During times of severe economic downturn, the Fund may maintain a deficit equal to the corresponding amount of expenditure.

According to the investment principles accepted by the Supervisory Board, the Fund is required to have investments in liquid money market instruments with less than a year's maturity the amount that equals the Fund's one month's expenses. This amount is approximately EUR 300 million. The maximum amount of the buffer is calculated by dividing the Unemployment Insurance Fund's annual expenditure by the average unemployment rate for the year and multiplying the result by 7. The following table presents the amount of the business cycle buffer and the minimum and maximum amounts of the buffer as specified in the Act.

EUR million	31 Dec 2018	31 Dec 2017
Business cycle buffer	969	106
Maximum amount of the buffer	2,049	2,026
Minimum amount of the buffer	-2,049	-2,026

Unemployment insurance contributions

EUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Employer's unemployment insurance contributions		
Employer's insurance contributions	1,452,844,092	1,763,045,591
Employer's insurance contributions, co-owners	4,308,147	4,713,897
Total	1,457,152,239	1,767,759,488

Employees' unemployment insurance contributions

Employee's insurance contributions	1,511,222,547	1,236,643,855
Employees' insurance contributions, co-owners	6,269,622	4,736,265
Total	1,517,492,170	1,241,380,121

Interest on overdue contribution and collection fee income

Interest on overdue employer contributions	819,719	1,157,340
Interest on overdue employee contributions	1,019,319	940,925
Collection fee income	537,922	412,566
Total	2,376,961	2,510,831

Liability components in employer's unemployment allowances

Liability components	34,993,257	47,808,461
Accruals	14,485,963	6,285,765
Total	49,479,220	54,094,226

Compensation in accordance with the Employment Contracts Act (ECA)

Compensation and lay-off income according to the ECA	1,136,220	1,219,951
Settlement to the Ministry of Social Affairs and Health	-570,675	-629,428
Substitute payer's component ECA	-1,904	0
Total	563,642	590,523

Contributions from the Ministry of Social Affairs and Health

Earnings-related unemployment allowance	764,228,240	927,768,780
Job alternation compensation	11,586,152	17,972,390
Previous year's equalisation payment	-1,958,660	-1,084,864
Total	773,855,731	944,656,305

Total unemployment insurance contributions	3,800,919,963	4,010,991,493
---	----------------------	----------------------

Benefit payments

EUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Subsidies paid to unemployment funds (TVR)		
Other earnings-related unemployment allowance	-738,106,162	-887,316,148
Additional days of allowance	-159,708,257	-216,472,409
Lay-off support	-142,148,163	-171,754,713
Job alternation compensation	-14,800,150	-22,244,521
Compensation for administrative expenses	-10,582,013	-12,835,800
Membership fee equalisation	-4,693,963	-10,000,000
Previous year's equalisation payment	1,945,606	1,070,338
Total	-1,068,093,101	-1,319,553,253

Subsidies paid to unemployment funds (Ministry of Social Affairs and Health)

Other earnings-related unemployment allowance	-747,241,026	-906,511,131
Job alternation compensation	-11,586,152	-17,972,390
Unemployment allowance/entrepreneurs	-7,881,942	-10,398,202
Compensation for administrative expenses	-9,105,272	-10,859,447
Previous year's equalisation payment	1,958,660	1,084,864
Total	-773,855,731	-944,656,305

Finnish Centre for Pensions

Payment for the current financial year	-620,000,000	-768,000,000
Total	-620,000,000	-768,000,000

State Pension Fund

Payment for the current financial period	-11,949,727	-12,608,566
Total	-11,949,727	-12,608,566

Social Insurance Institution of Finland (Kela)

Previous year's equalisation payment	459	923
Basic allowance, additional component, employment programme additional benefit	-228,100,000	-208,340,000
Total	-228,099,541	-208,339,077

The Education Fund

Previous year's equalisation payment	0	-715
Payment for the current financial period	-187,289,504	-150,971,176
Total	-187,289,504	-150,971,891

Ministry of Economic Affairs and Employment

Previous year's equalisation payment	-245,340	11,755
Payment for the current financial period	-19,513,485	-18,967,907
Total	-19,758,826	-18,956,152

Member State invoicing for unemployment allowances

Invoiced by Member State	-114,826	-138,241
Invoiced by Fund	40,819	77,137
Total	-74,006	-61,103

Administrative compensation paid to insurance companies

Administrative and supervisory compensation	-120	-282
Total	-120	-282
Total benefit payments	-2,909,120,555	-3,423,146,630

Property, plant and equipment

EUR	Leasehold improvements	Machinery and equipment	Total
Cost at 1 Jan 2018	1,012,928	1,471,348	2,484,276
Additions	0	269,349	269,349
Acquisition cost, 31 Dec 2018	1,012,928	1,740,697	2,753,625
		0	
Accumulated depreciation at 1 Jan 2018	877,390	1,294,655	2,172,045
Depreciation for the period	108,432	174,569	283,001
Accumulated depreciation, 31 Dec 2018	985,822	1,469,224	2,455,046
 Carrying value, 1 Jan 2018	 135,538	 176,693	 312,231

Carrying value, 31 Dec 2018	27,106	271,473	298,579
Acquisition cost, 1 Jan 2017	1,012,928	1,384,400	2,397,328
Additions	0	86,947	86,947
Cost at 31 Dec 2017	1,012,928	1,471,348	2,484,276
		0	
Accumulated depreciation at 1 Jan 2017	768,958	1,150,754	1,919,712
Depreciation for the period	108,432	143,901	252,333
Accumulated depreciation at 31 Dec 2017	877,390	1,294,655	2,172,045
Net book value at 1 Jan 2017	243,970	233,646	477,617
Net book value at 31 Dec 2017	135,538	176,693	312,231

Intangible assets

EUR	Computer software	Software development expenses	Intangible assets in progress*	Total
Cost at 1 Jan 2018	713,263	1,418,200	2,817,078	4,948,542
Increases	59,000	580,472	3,020,750	3,660,222
Acquisition cost, 31 Dec 2018	772,263	1,998,672	5,837,829	8,608,764
Accumulated depreciation, 1 Jan 2018	624,772	1,177,772	0	1,802,544
Depreciation for the period	64,295	334,028	0	398,323
Accumulated depreciation, 31 Dec 2018	689,067	1,511,801	0	2,200,867
Carrying value, 1 Jan 2018	88,491	240,427	2,817,078	3,145,997
Carrying value, 31 Dec 2018	83,197	486,871	5,837,829	6,407,896
Acquisition cost, 1 Jan 2017	680,975	1,374,169	1,183,770	3,238,914
Additions	32,288	44,031	1,633,309	1,709,628
Cost at 31 Dec 2017	713,263	1,418,200	2,817,078	4,948,542
Accumulated depreciation at 1 Jan 2017	566,303	918,164	0	1,484,468
Depreciation for the period	58,468	259,608	0	318,076
Accumulated depreciation at 31 Dec 2017	624,772	1,177,772	0	1,802,544
Net book value at 1 Jan 2017	114,671	456,004	1,183,770	1,754,445
Net book value at 31 Dec 2017	88,491	240,427	2,817,078	3,145,997

* Intangible assets in progress include capitalised development costs and compose an internally generated intangible asset. In 2018, capitalised development costs comprise mainly of renewing the insurance and accounts ledger information system for unemployment insurance contributions.

Investments

Investments in financial assets have been designated as financial assets at fair value through profit and loss, and are measured at fair value. Measurement of these assets is largely based on either quoted prices or valuations based on available market data. Financial instruments carried at fair value have been divided into three hierarchy levels based on whether they are traded in active markets, and to what extent the inputs are based on observable market data, as follows:

Level 1: The valuation is based on quoted prices in active markets for identical financial assets and liabilities.

Level 2: The inputs used in valuations are also based, either directly or indirectly using valuation techniques, on observable inputs other than those on Level 1.

Level 3: The valuation is based on other than observable market data.

In the table below, investments have been specified by financial instrument classes divided into fair value hierarchy levels. No reclassifications have been made between hierarchy levels during the financial year.

EUR					
31 Dec 2018		Level 1	Level 2	Level 3	Total
State and municipal bonds	212,909,815				212,909,815
Bank bonds	300,817,846				300,817,846
Corporate bonds	121,983,743				121,983,743
Investments in funds and equities	102,254,364	39,840,343			142,094,707
Mezzanine funds			1,991,545		1,991,545
Deposits		132,708,509			132,708,509
Certificates of deposit		40,000,227			40,000,227
Municipal papers		72,231,404			72,231,404
Commercial paper		129,745,457			129,745,457
Alternative investments			3,952,806		3,952,806
Total	737,965,768	414,525,941	5,944,351	1,158,436,059	

EUR					
31 Dec 2017		Level 1	Level 2	Level 3	Total
Government bonds	157,622,995				157,622,995
Bonds issued by banks	194,676,781				194,676,781
Corporate bonds	79,758,511				79,758,511
Investments in funds and shares	61,299,626	29,816,409			91,116,035
Mezzanine funds			1,069,003		1,069,003
Deposits		66,470,518			66,470,518
Certificates of deposits		50,036,076			50,036,076
Municipal papers		2,000,905			2,000,905
Commercial papers		94,893,125			94,893,125
Total	493,357,913	243,217,033	1,069,003	737,643,948	

Changes in Level 3 financial assets measured at fair value

EUR	1 Jan 2018	Unrealised profit/loss	Realised profit/loss	Purchases	Disposals	31 Dec 2018
Mezzanine funds	1,069,003	1,309,051	0	49,651	-436,160	1,991,545
Alternative investments	0	-47,194	0	4,000,000	0	3,952,806
Total	1,069,003	1,261,857	0	4,049,651	-436,160	5,944,351

EUR	1 Jan 2017	Unrealised profit/loss	Realised profit/loss	Purchases	Disposals	31 Dec 2017
Investment funds	1,740,117	497,925	0	133,240	-1,302,280	1,069,003
Total	1,740,117	497,925	0	133,240	-1,302,280	1,069,003

Deposits, certificates of deposit, corporate bonds and municipal papers in Level 2 have been measured using the discounted cash flow method based on Euribor or swap curve and on forward rate insofar as elements of foreign currencies are involved. Based on the management's judgement, the discount factor has been adjusted by the effect of change in credit risk of the investment. However, the adjustment has not had a material impact.

Investments classified in Level 3 are Mezzanine funds that are valued based on valuations prepared by the issuer.

Investment funds have been measured at the net asset value of the fund as reported by fund manager at the reporting date, and they have been classified in Level 1, 2 or 3 by their market activity and marketability. Equity investments are quoted in Helsinki Stock Exchange and they have been classified in Level 1. The amount of equity investments is minor.

Loans

Long-term borrowings

EUR	31 Dec 2018	31 Dec 2017
TVR bonds	0	598,414,440
Total long-term borrowing	0	598,414,440

Short-term borrowings

EUR	31 Dec 2018	31 Dec 2017
TVR bonds	599,329,140	299,795,460
Commercial paper	0	0
Revolving credit facilities (RCF)	0	0
Total short-term borrowing	599,329,140	299,795,460

Liabilities and receivables not recognised in the statement of net position

Capital commitments, equity funds

EUR	31 Dec 2018	31 Dec 2017
Committed capital	5,250,473	5,250,473
Realised	-5,003,599	-4,953,948
Total investment commitments	246,874	296,526

Investment funds call investments based on the financing needs of the investment fund. The commitments have no maturity date.

Operating lease commitments

EUR	31 Dec 2018	31 Dec 2017
Within one year	1,346,916	1,338,504
1–5 years	19,244	333,389
Over 5 years	0	0
Total	1,366,160	1,671,893

The Fund has rented its office and warehouse premises and a car on non-cancellable lease contracts. On the reporting date, the remaining term of the lease for the office and warehouse premises is one year. The leases will remain in force with a 12-month notice period. The remaining term of the lease for the car is two years and nine months.

Lease receivables

EUR	31 Dec 2018	31 Dec 2017
Within one year	0	420,344
1–5 years	0	105 086
Over 5 years	0	0
Total	0	525,430

The Fund has sublet part of its leased office premises. The sublet ended at the end of 2018.