

Helsinki 14 April 2023

Act on the Evangelical Lutheran Church of Finland Pension Fund

Pursuant to the decision of Parliament the following is laid down in law:

Chapter 1

General

Section 1

Scope of application

This Act contains provisions on the Evangelical Lutheran Church of Finland pension fund. The Church Pension Fund is a legal person governed by public law and its place of domicile is Helsinki.

Section 2

Responsibility for the funding and implementation of church's pension security

The Church Pension Fund acts as the church's pension institution and is responsible for financing the pension cover of Evangelical Lutheran Church of Finland personnel.

Keva administers the implementation pension cover for Evangelical Lutheran Church of Finland personnel and the activities related to decreasing its personnel's disability pursuant to the Public Sector Pensions Act (81/2016) as well as other tasks laid down in the Act.

Section 3

Oversight

The general oversight of the Church Pension Fund is the responsibility of the General Synod. The General Synod selects the Church Pension Fund administration and an audit firm to review its finances for its term. The audit firm must appoint a KHT auditor as the primary auditor. The Accounting Act (1141/2015) applies to the Church Pension Funds accounting.

The Financial Supervisory Authority oversees the planning the Church Pension Fund's financial activities and the investment of the pension fund's assets. Provisions on the Financial Supervisory Authority's right to obtain information and right of inspection are

laid down in sections 18 and 24 of the Act on Financial Supervisory Authority (878/2008). The Financial Supervisory Authority is responsible for submitting an annual report on its oversight to the National Church Council.

Chapter 2

Administration

Section 4

Administration of the Church Pension Fund

The General Synod approves the Church Pension Fund's budget and adopts the Church Pension Fund's financial statements and decides on granting of discharge from liability to the board and other accountable parties.

The National Church Council acts of the Church Pension Fund's board. The Church Council must submit an annual report on the management of the Church Pension Fund to the General Synod.

The General Synod the Church Pension Fund Board of Directors appointed by the General Synod for its term are responsible for the Church Pension Fund's investment activities. However, the term of the Board of Directors continues until a new Board of Directors has been appointed.

Section 5

Management of the Church Pension Fund's finances

The management of the Church Pension Fund's finances is performed in the manner laid down in the Church Act (652/2023) on the management of the Central Church Fund. The Church Council approves the Church Pension Fund's Financial Rules, which lay down more detailed regulations on drawing up a budget, on investment activities and payment transactions, on accountings and financial statements, as well as on audits and internal supervision.

Section 6

Board of Directors of the Church Pension Fund

The Church Pension Fund Board of Directors includes a chair and at least four but at most 8 other members. Each member has their own personal deputy member. The members of the Board of Directors must be members of the church who are familiar with investment activities. A third of the members must be appointed on the basis of proposals by the Church's most significant personnel organisations.

The Church Pension Fund Board of Directors is tasked with:

- 1) deciding on the forms of investment used in investment activities and the principles applied to these;
- 2) deciding on the distribution of investments in different forms of investment and on their profit targets;
- 3) deciding on the principles to be complied with in the risk management of investments;
- 4) approving the annual investment plan for Church Pension Fund funds;
- 5) deciding on asset managers and on the agreement to be drawn up with them;
- 6) deciding on the individual investments defined in the rules of procedure for the Board of Directors, which the Board of Directors is tasked with handling;
- 7) drawing up an annual Church Pension Fund annual report and financial statements;
- 8) seeing to the supervision of investment activities as a whole;
- 9) deciding on matters of principle or otherwise important matters concerning investment activities, other than those laid down in points 1-8.

The Church Council approves the rules of procedure for the Board of Directors. The Church Council can also transfer other tasks related to the investment of pension funds under its competence to the Board of Directors.

The Church Council has established a quorum when at least half of the members of the Church Council are present.

Section 7

Digital meetings

Decisions can be adopted on matters under the competence of the Board of Directors at actual meetings or at a meeting in a digital operating environment (digital meetings). The requirement for a digital meeting is that those who are marked as present have an equal audiovisual connection with one another.

During a digital meeting, it must be ensured that the meeting is secure and no confidential data will be accessible to external parties.

Section 8

Church Pension Fund personnel

The head of the Church Council's finance department acts as Director of the Church Pension Fund. The Church Pension Fund may also have other permanent positions as

well as employees with employment contracts. The Act on the Evangelical Lutheran Church of Finland's Office Holders (653/2023) applies to office holders.

Section 9

Principles of ownership steering

The Church Pension Fund's Board of Directors must approve the principles on how the rights afforded to the Church Pension Fund on the basis of ownership in other entities are exercised (Principles of ownership steering). The principles of ownership steering must include an assessment of the membership of the Church Pension Fund's Director, office holders and employees in the administrative bodies of other entities and foundations taking into consideration the benefits of the Church Pension Fund. The principles of ownership steering must include a general description of target entities listed in subsection 1, whose shares are subject to trade in the regulated market in the European Economic Area:

- 1) how ownership steering is linked to investment strategy;
- 2) means for monitoring the activities of target entities in matters relevant to the investment strategy;
- 3) means for exercising right to vote and other rights related to shares in target companies;
- 4) how the Church Pension Fund engages in dialogue with target entities, their other shareholders and stakeholders.

The Church Pension Fund must publish the Principles of ownership steering on its website free of charge.

The Church Pension Fund must publish the information listed in subsection 2 on its website free of charge, as well as with regard to this information, an annual report on the implementation ownership steering principles. However, if the Church Pension Fund does not provide a description of the information listed in subsection 2 in full or in part in its ownership steering principles or publish this information or a report on the implementation of ownership steering with regard to these, it must publish a clarification for this deviation.

Section 10

List concerning positions of trust

The Church Pension Fund must maintain an up-to-date public list with the information on the members of the Church Pension Fund's Board of Directors and its director's memberships in the boards, supervisory boards or similar bodies of other financially or socially significant entities and foundations with the exception of memberships in the boards of housing companies.

If a person in the service of the Church Pension Fund has the opportunity to influence decision making concerning the investment of Church Pension Fund's finances, information on their memberships in the boards, supervisory boards or similar bodies of other financially or socially significant entities and foundations with the exception of memberships in the boards of housing companies shall be entered on the list referred to in subsection 1.

Section 11

Operating principles concerning conflicts of interest

The Church Pension Fund must have written operating principles approved by the Board of Directors for the procedures to be used for the identification and prevention of conflicts of interest.

Section 12

Business transactions with directors and persons closely connected to them

The Church Pension Fund's Board of Directors must decide on significant business transactions concerning the Church Pension Fund when the other party in the business transaction is:

1) a member of the Church Council, a member of the Church Pension Fund Board of Directors, an auditor, a deputy auditor or a salaried employee of the audit firm, who hold primary responsibility for the audit;

1) someone other than the person in the employment of the Church Pension Fund as referred to in point 1;

3) the husband or wife of one of the persons referred to in points 1 and 2, is in a registered partnership with them under the Act on Registered Partnerships 950/2001, is incompetent and under the person's guardianship, or is a cohabiting partner who has lived in the same household with the person for at least one year.

The Church Pension Fund must maintain an up-to-date public list of the business transactions referred to in subsection 1, the parties involved in them and their key terms. The maintenance of the list must be arranged in a reliable manner. The information entered in the list must be retained for five years from the time they were first entered in the list. However, a natural person's personal identity code and address as well as the person's name as referred to in subsection 1(3) are not public.

What is provided in subsections 1 and 2 shall be applied to such business transactions that have been concluded between the Church Pension Fund and a party other than the persons referred to in subsection 1, if the manifest purpose of the arrangement has been to circumvent the provisions laid down in subsections 1 and 2.

Chapter 3

Funding

Section 13

Payments from the Church Pension Fund

Pensions, other costs of pension activities and the Church Pension Funds administrative expenses are paid from the Church Pension Fund.

The costs of pension activities also include the supervision fee referred to in the Act on the Supervision Fees of the Financial Supervisory Authority, the judicial governance fee referred to in section 16 of the Act on the Pension Appeal Committee (677/2005) as well as the function-specific service fees and the cost component of the pension institution referred to in section 5 of the Act on the Finnish Centre for Pensions (397/2006).

Section 14

Payments to the Church Pension Fund

The General Synod annually approves the following payments to the Church Pension Fund at the time the Church Pension Fund's budget is approved:

Every parish or parish union, the Diocesan Chapter and the Church Council make payments to the Church Pension Fund annually:

- a) for the payment and financing of pensions and family pensions as a percentage of the salary paid during the asset management year (pension contribution) to personnel under the Public Sector Pensions Act at which time free housing and heating will be counted as part of the salary
- b) personal liability for disability pensions determined on the basis of the grounds approved by the General Synod

2) Every parish or parish union will pay at most a contribution amounting to eight percent of the most recent taxation's church tax to increase the Church Pension Fund's assets each year.

Provisions on Church employee pension contribution and the related obligations of the Church as an employer are laid down in the Employees Pensions Act (395/2006) and in the Public Sector Pensions Act.

Keva takes care of tasks related to charging the employer and employee pension contributions in the manner provided in the Act on Keva (66/2016). A church employee must pay the employer and employer pension contributions to Keva in the manner it has specified. Keva will then pay the payments to the Church Pension Fund.

The Church Pension Fund sees to the recovery of payments referred to in subsection 1(c).

Section 15

Payment of a pension contribution and the eligibility of the pension contribution for enforcement

A pension contribution must be made monthly to the Church Pension Fund, unless the Church Pension Fund has stipulated that the payment be made once every other month.

A pension contribution and its overdue interest are distrainable. Provisions on the recovery of the payment are laid down in the Act on the Enforcement of Taxes and Public Payments.

Section 16

Expiration of pension contribution receivables

Keva shall stipulate a charge based on this Act to be paid within five years of the receivable being created. The receivable is deemed to be created according to this law on the payment date of the final payment.

The return of a payment made by mistake expires in five years of the date on which the payment was made, unless expiration is interrupted prior to this. A new five-year expiration period will start from the interruption. Provisions on the interruption of expiry are laid down in Sections 10 and 11 of the Act on the Expiry of Debts (728/2003).

Section 17

Complaint of grounds

The party in question may submit a complaint of grounds concerning a charge being imposed, if they feel that the payment Keva has imposed on the Church employer has been illegal. A complaint of grounds must be submitted in writing and it must be delivered to the Employee Pensions Appeal Board within two years from the beginning of the year following the year during which the receivable has been imposed or the payment has been imposed.

Provisions on a complaint on grounds submitted due to seizure of assets are laid down in the Act on the Enforcement of Taxes and Public Payments.

Chapter 4

Risk management and insider regulations

Section 18

Risk management

The Church Pension Fund must have a sufficient risk management system with regard to the quality and scope of its activities, which covers the continuous identification, monitoring, supervision and reporting of risks that may affect the Church Pension Fund and the combined impacts of risks.

Risk management must cover the following areas:

- 1) investments
- 2) available liquidity
- 3) concentration risks
- 4) operational risks

The Church Pension Fund must arrange risk management so that it is independent of activities that take risks.

Section 19

Insider regulations

A Church Pension Fund insider must submit a notification on their own investments in business transactions to the insider register (insider notification) referred to in subsection 3 Church Pension Fund insiders refer to:

- 1) the chair, deputy chair and members of the Church Pension Fund Board of Directors;
- 2) an auditor or a salaried employee of the audit firm, who holds primary responsibility for the Church Pension Fund's audit;
- 3) the Director of the Church Pension fund and other persons in the service of the Church Pension Fund, who have the opportunity to influence a decision on the investment of the Church Pension Fund's assets or who otherwise regularly obtains insider information on shares and financing instruments.

The Church Council decides at the proposal of the Church Pension Fund:

1) which investment that is subject to a business transaction should an insider notification be submitted for;

2) the deadline by which an insider notification referred to in subsection 1(1-3) on appointment to a position must be submitted.

The Church Pension Fund must maintain a register of insider notifications (insider register), which must specify the information referred to in subsection 2(1) for each insider.

The maintenance of the insider register must be arranged in a reliable manner. The information entered in the register must be retained for five years from the time they were first entered in the register. Every person has the right to receive extracts and copies of the register's data for the compensation of costs. However, a natural person's personal identity code and address as well as the name of natural persons other than insiders are not public.

Section 20

Oversight related to insider notifications and the insider register

The Financial Supervisory Authority supervises compliance with provisions concerning insider notifications and the insider register. That what is provided in section 3 on the supervision of the Church Pension Fund applies to the supervision of insider notifications and the insider register.

Chapter 5

Various provisions

Section 21

Appeals

Provisions on appealing a decision made on the basis of this Act are contained in the Church Act unless otherwise provided in section 17

That what is provided on appeals and the removal of final decisions in the Public Sector Pensions Act shall be complied with in matters related to pensions.

Section 22

Entry into force

This Act shall enter into force on 1 July 2023.

This Act will repeal the Act on the Financing of Evangelical Lutheran Church Pension Cover (68/2016).

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Helsinki 14 April 2023

President of the Republic of Finland
Sauli Niinistö

Minister of Science and Culture
Petri Honkonen