



Icelandic Pension Funds

Introduction

October 12 2006

Agenda

- overview of the system
- 5 largest pension funds – overview



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The Icelandic Pension System

- First pillar
 - A tax financed and means tested public pension
- Second Pillar
 - A mandatory membership in occupational pension funds
- Third Pillar
 - A free individual pension saving
 - Started in 1998

The Icelandic System

- Fully funded scheme put in place around 1970
- Became mandatory by law in 1974
- Reforms in the 90's

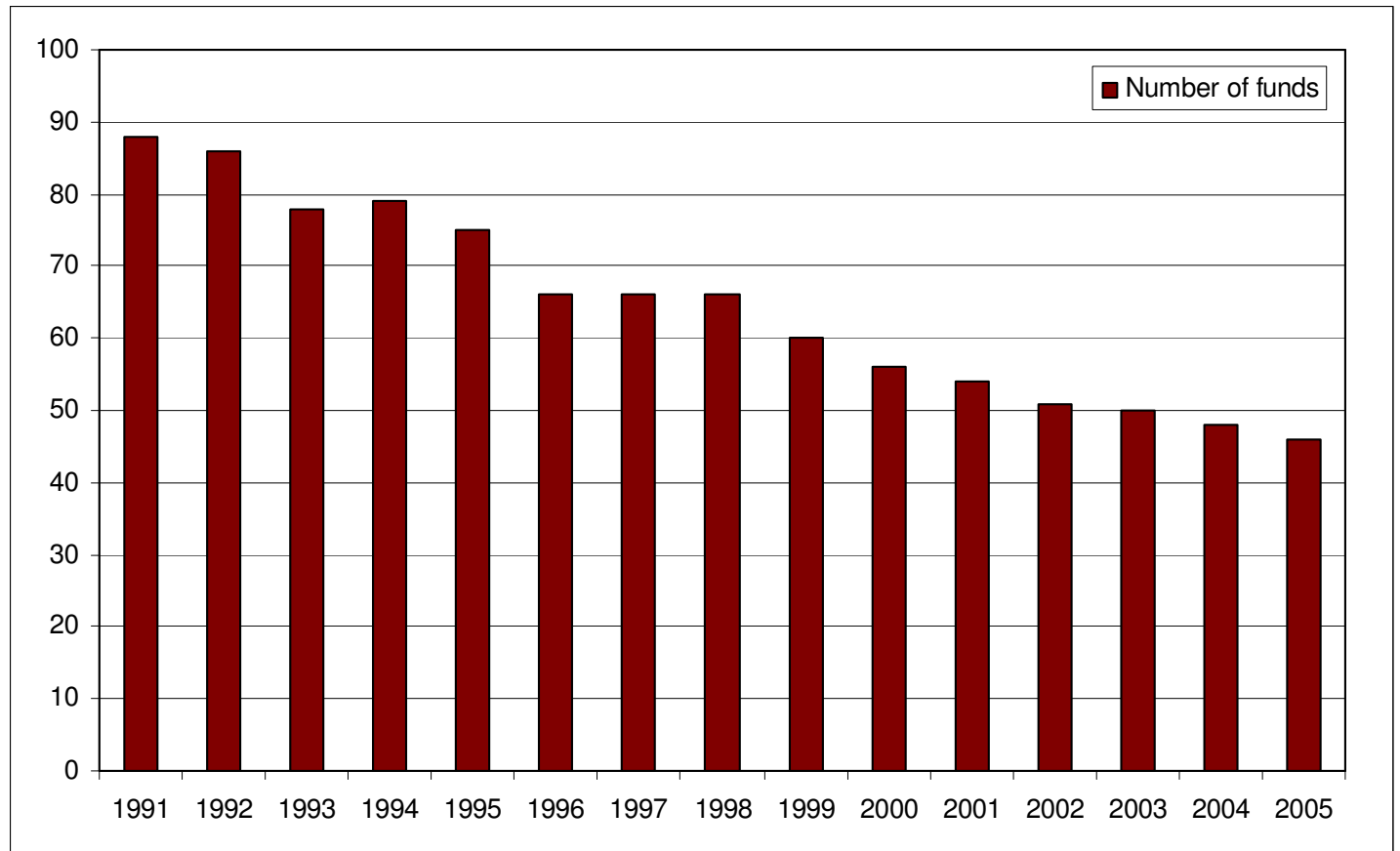
The Icelandic Pension System

- The accumulated pension rights in funds on the general labour market are price indexed and not linked to wages and salaries.
- In 2005 60,3% of the pensions paid by these funds were for old age.
- 27,3% for disability
- 10,3% was for survivors'
- And 2,1% for childrens'

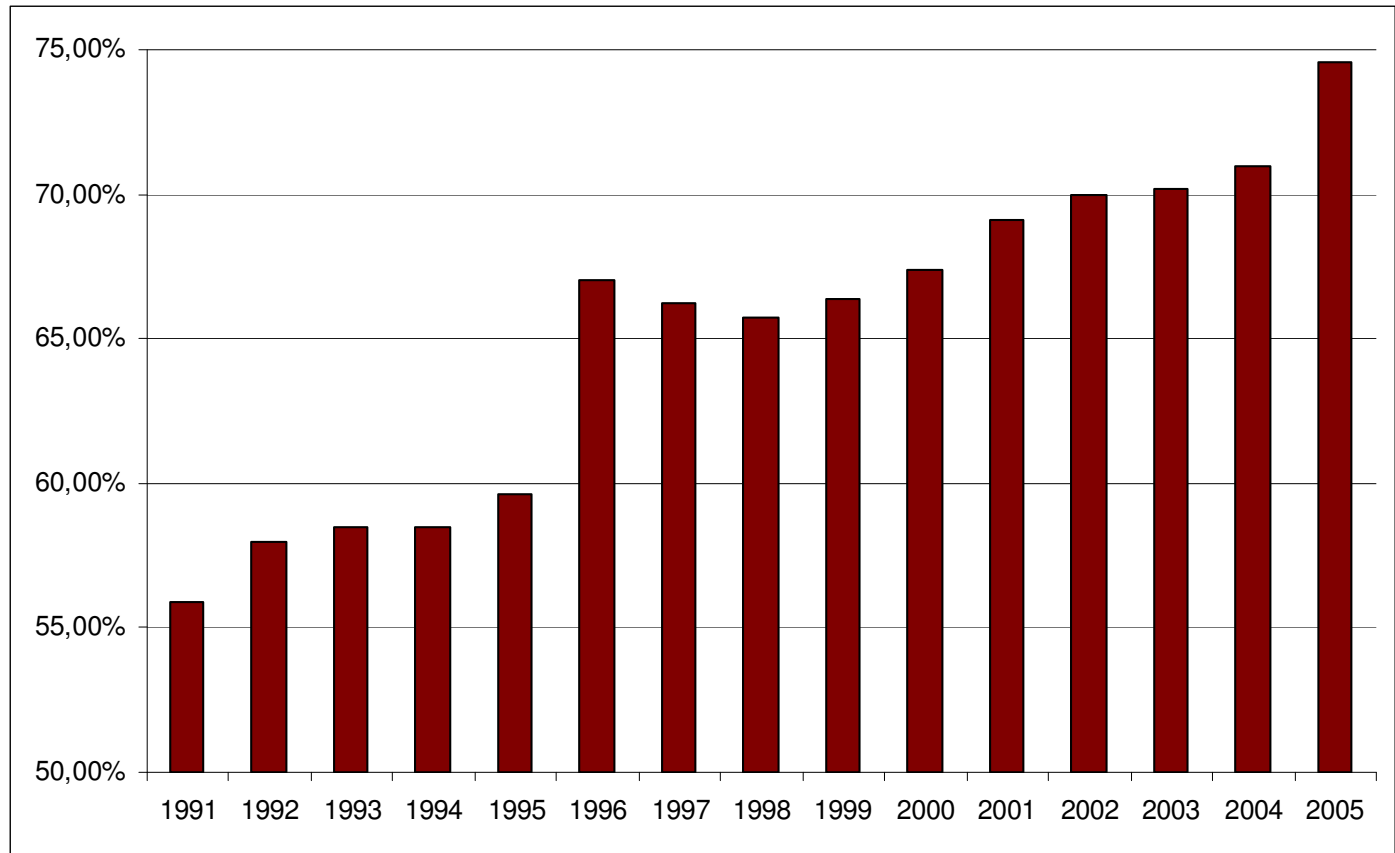
The Icelandic Pension System

- At the end of 2005 there were **46** pension funds in Iceland.
- Of these, **10** were no longer receiving contributions.
- **15** had employer guarantees from the government and municipalities.
- There were **31** fully operational occupational pension funds that do not have an employer guarantee.

Pension Funds in Iceland are Merging



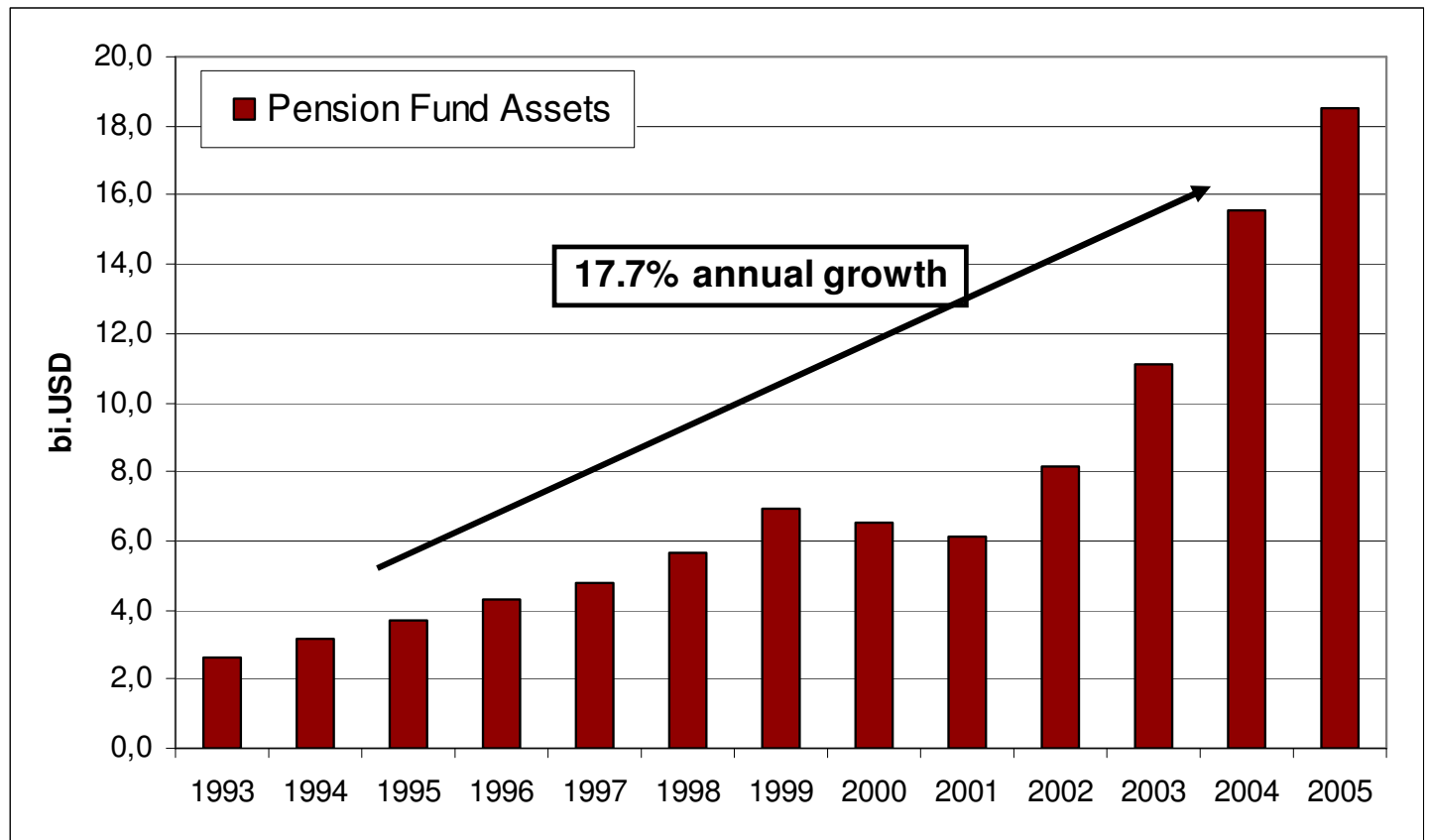
Fewer and bigger funds – Ten largest pension funds' assets as a percentage of total assets



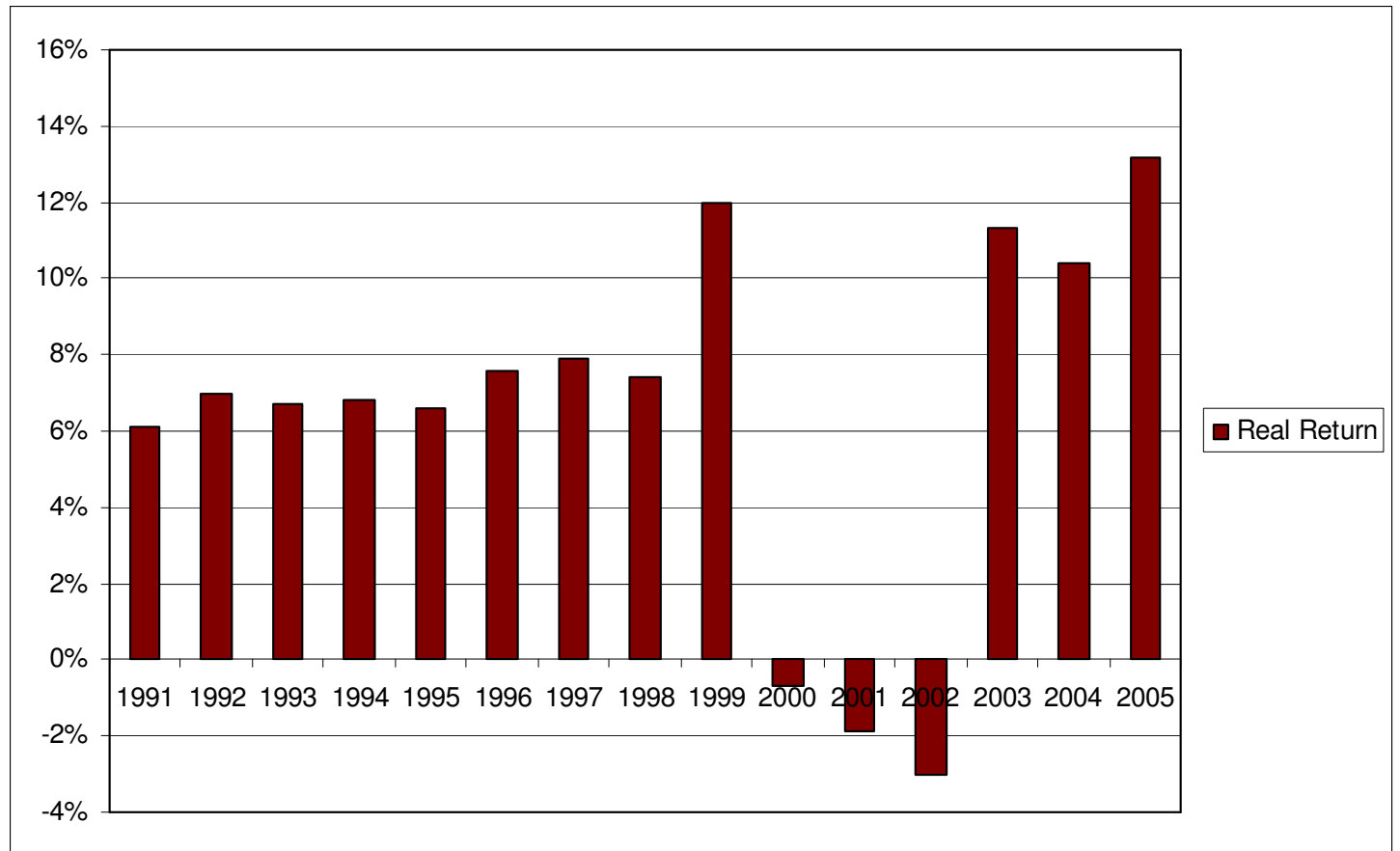
The Icelandic Pension System

- Assets have grown a lot of the years
- At the end of 2005 the assets amounted to 1,220 bi. ISK or 118% of GDP

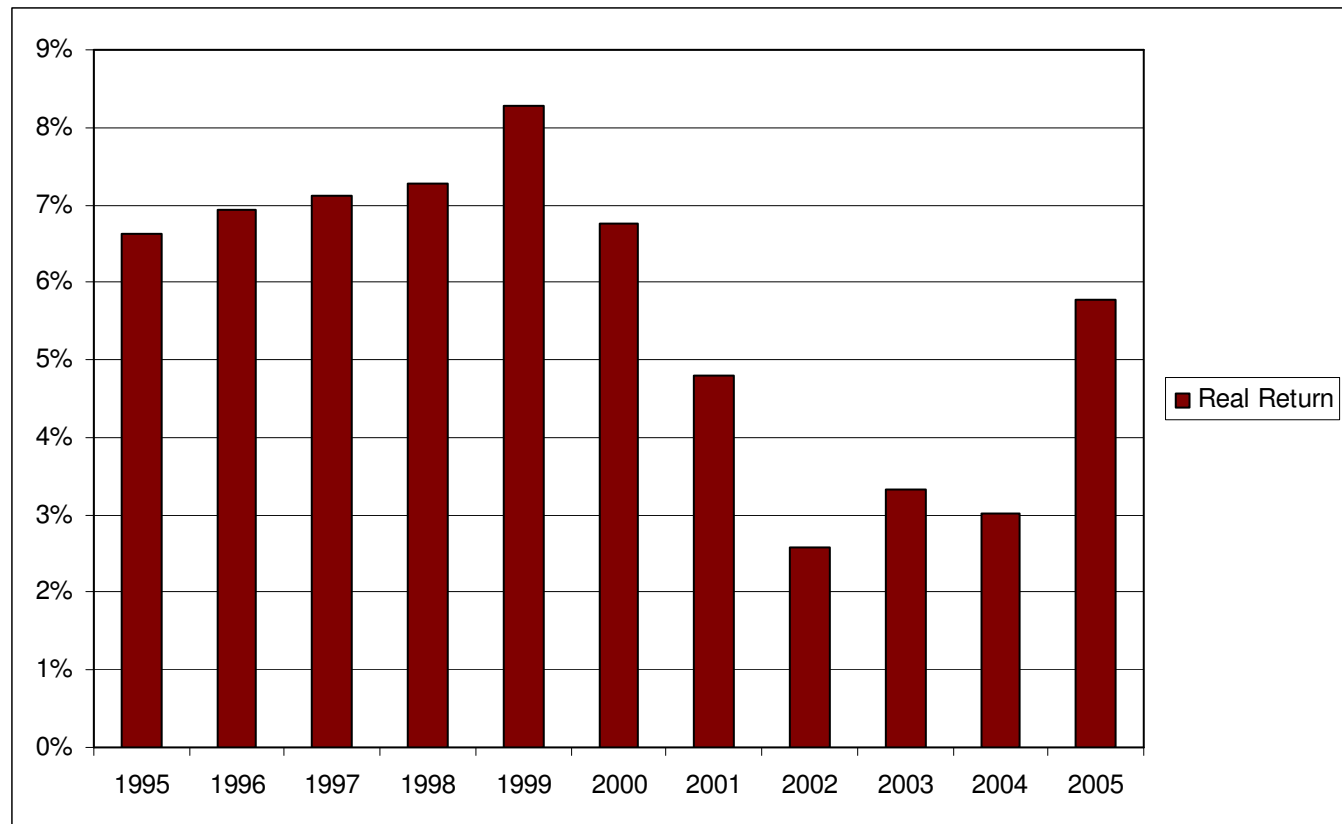
Assets have been growing at a fast pace



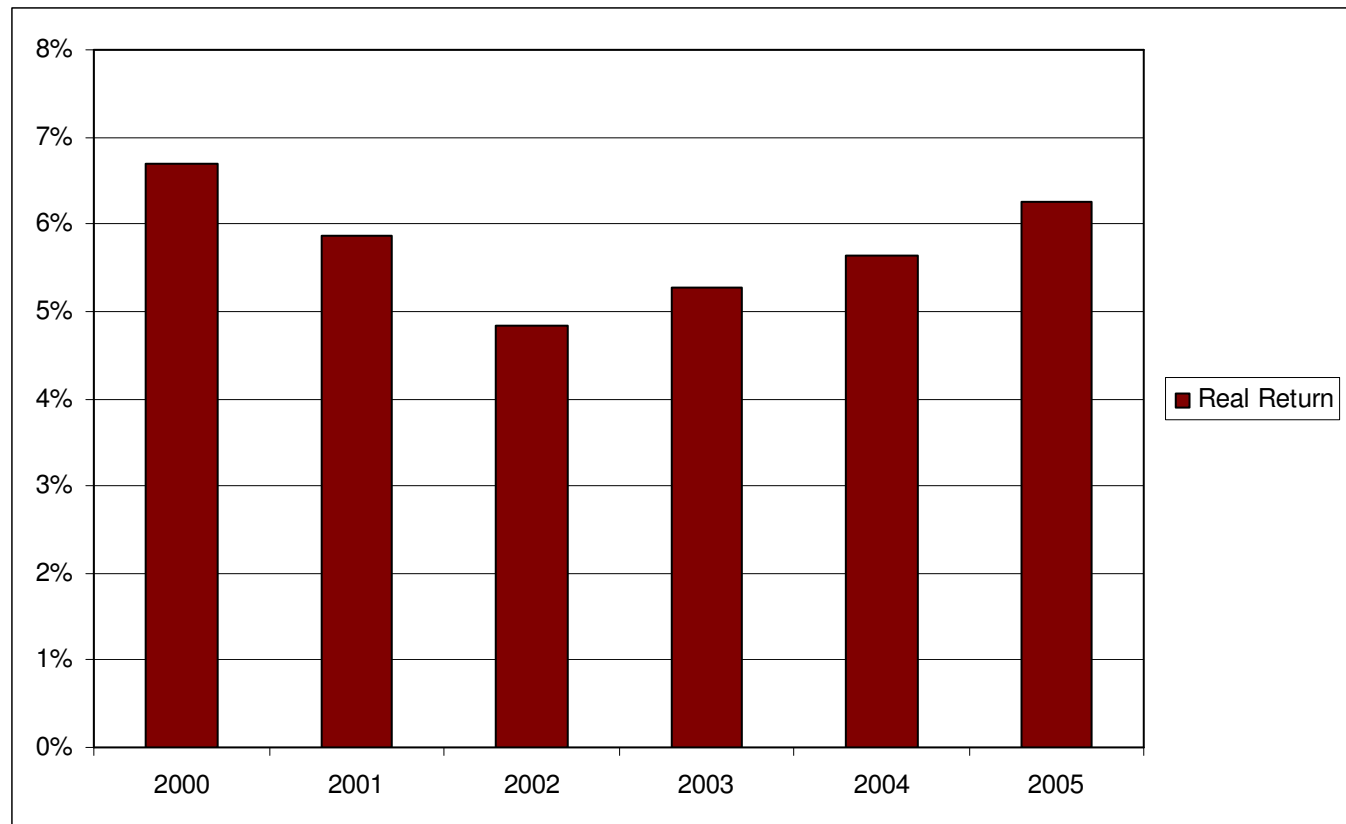
Annual Real Return of the Icelandic Pension Funds



5 year average real return



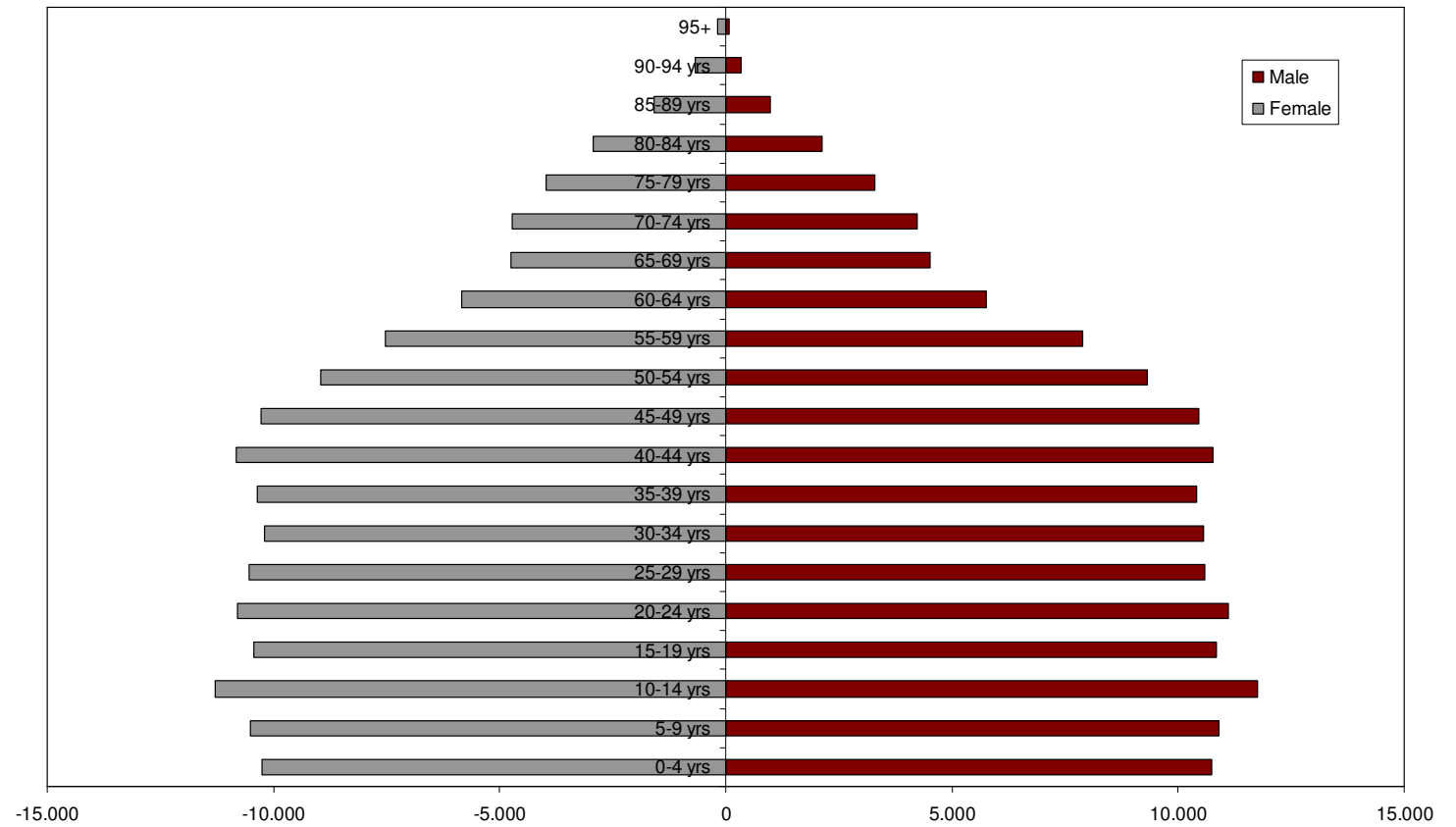
10 year average real return



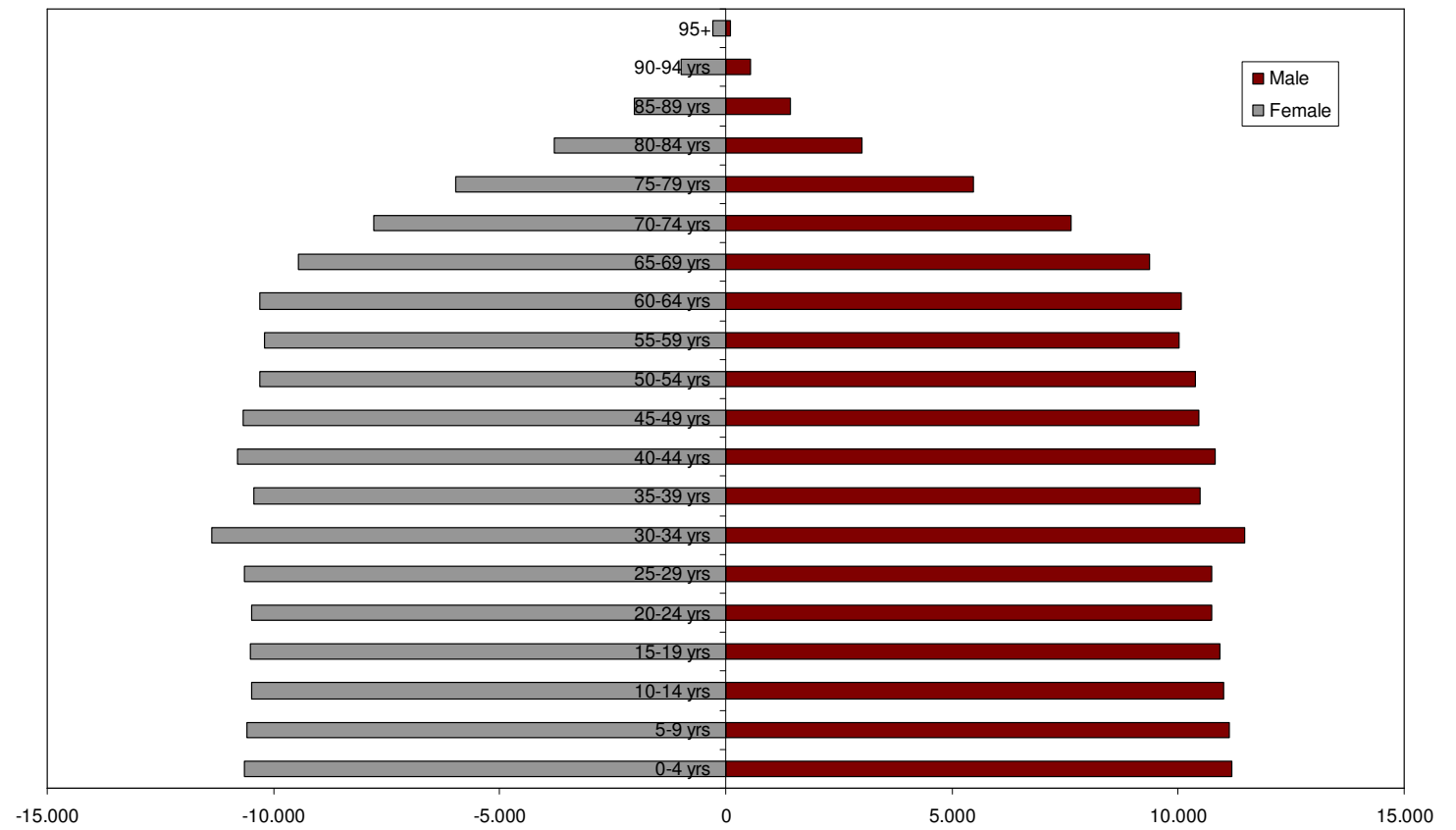
Demographics

- Favourable demographics
 - Young nation
- Healthy birth rates

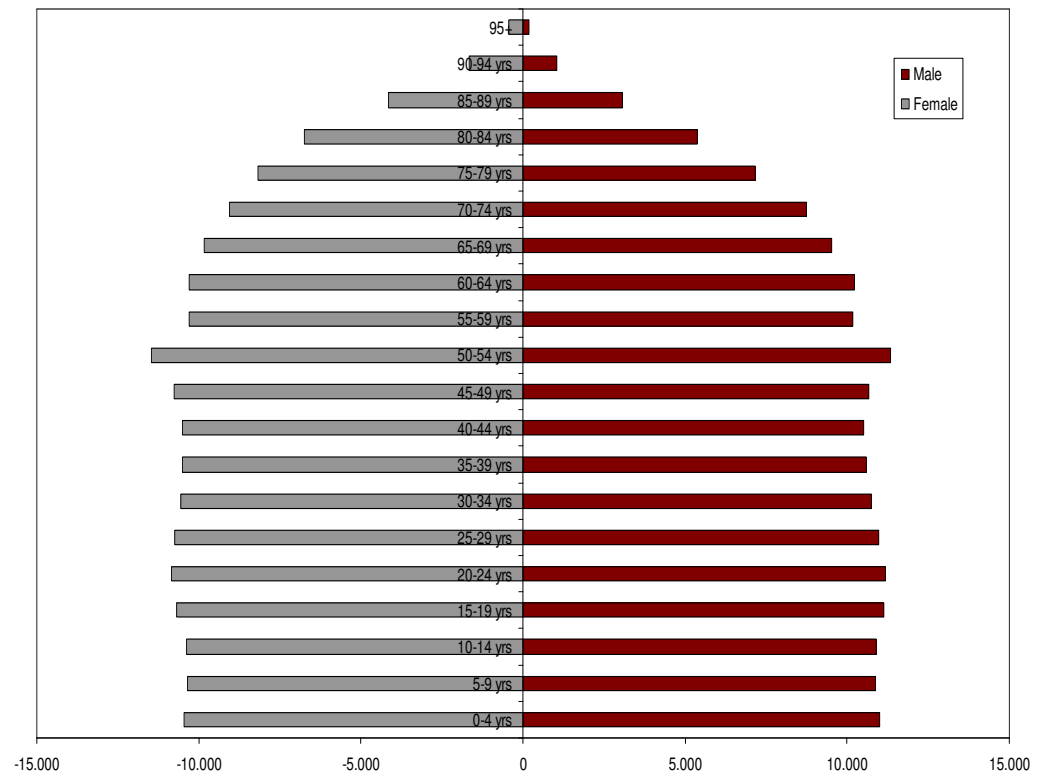
Age Pyramid: Iceland 2005



Age Pyramid: Iceland 2025



Age Pyramid: Iceland 2045



Please visit our website

National Association of
Icelandic Pension Funds:

www.ll.is

