

The Icelandic Pension Funds Association

Press release, October 7th, 2008

Iceland's new emergency laws, allowing the Government sweeping powers over the nation's banks due to the unique financial situation, were discussed at length in a meeting of the board and the reserve board of the Icelandic Pension Funds Associations (IPFA) today. The IPFA finds it clear why the Government was compelled to pass the emergency laws, as the alternative would have meant a genuine, financial state of emergency in the country with unforeseeable consequences for families, companies and the whole economic and financial structure of Iceland.

The Icelandic Pension Funds Associations would like to iterate the following:

1. The Pension Funds were positive towards the Icelandic Government's request last week regarding the participation in widespread Economic Actions by transferring up to 50% of their foreign securities to Iceland, thereby strengthening the Icelandic krona. No agreement regarding this has taken place, however, as new information came to light regarding the situation over the course of the weekend, calling for even more widespread and serious reactions on behalf of the government than previously believed necessary.
2. If the Government sees fit to re-enter into discussions with the IPFA, the directors of IPFA will discuss the request in light of the new situation, which has been transformed due to the parliament's emergency laws. The IPFA reserves the right to discuss the matter based on these new premises and reaching a conclusion according to those.
3. The Icelandic nation is facing major, economic difficulties and the Pension Funds, as well as others, will participate in actions intended to solve these problems. The IPFA will encourage the boards and managers of the Icelandic Pension Funds to meet the needs of borrowers, as much as the situation can allow for at each given point in time.
4. The financial situation in markets all over the world and the emergency laws set by the Icelandic parliament will affect the Pension Funds, as well as all homes and businesses in the country. It is clear that the assets of the Pension Funds will diminish accordingly. The Funds have increased pension benefits significantly over the past few years. The current situation has now lead us to conclude that there maybe be some decrease in pension benefits, which would not come into pass until early 2009.