

ICELANDIC PENSION FUNDS

THE EFFECTS OF DEMOGRAPHIC CHANGES IN ICELAND



HARALDUR YNGVI PETURSSON
ARION BANK INSTITUTIONAL ASSET MANAGEMENT

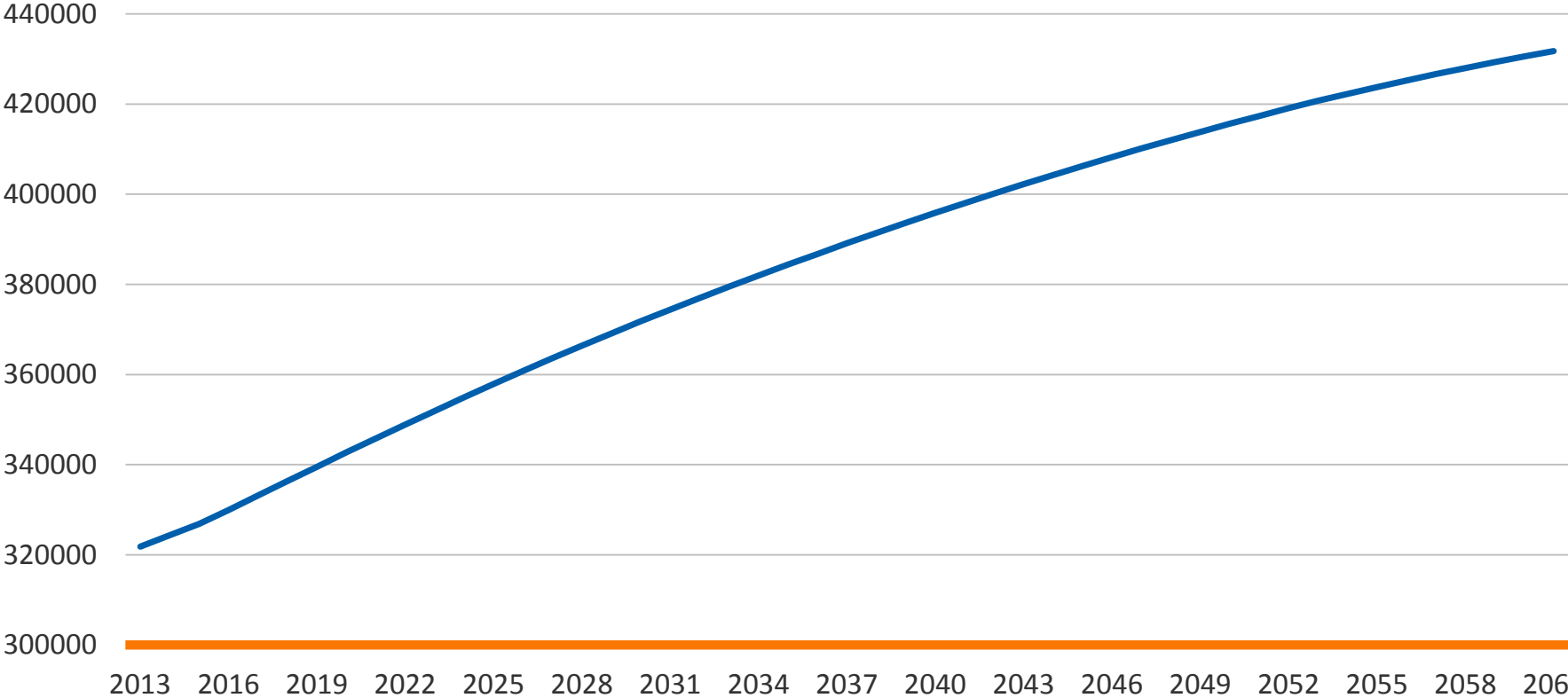


DEMOGRAPHIC CHANGES



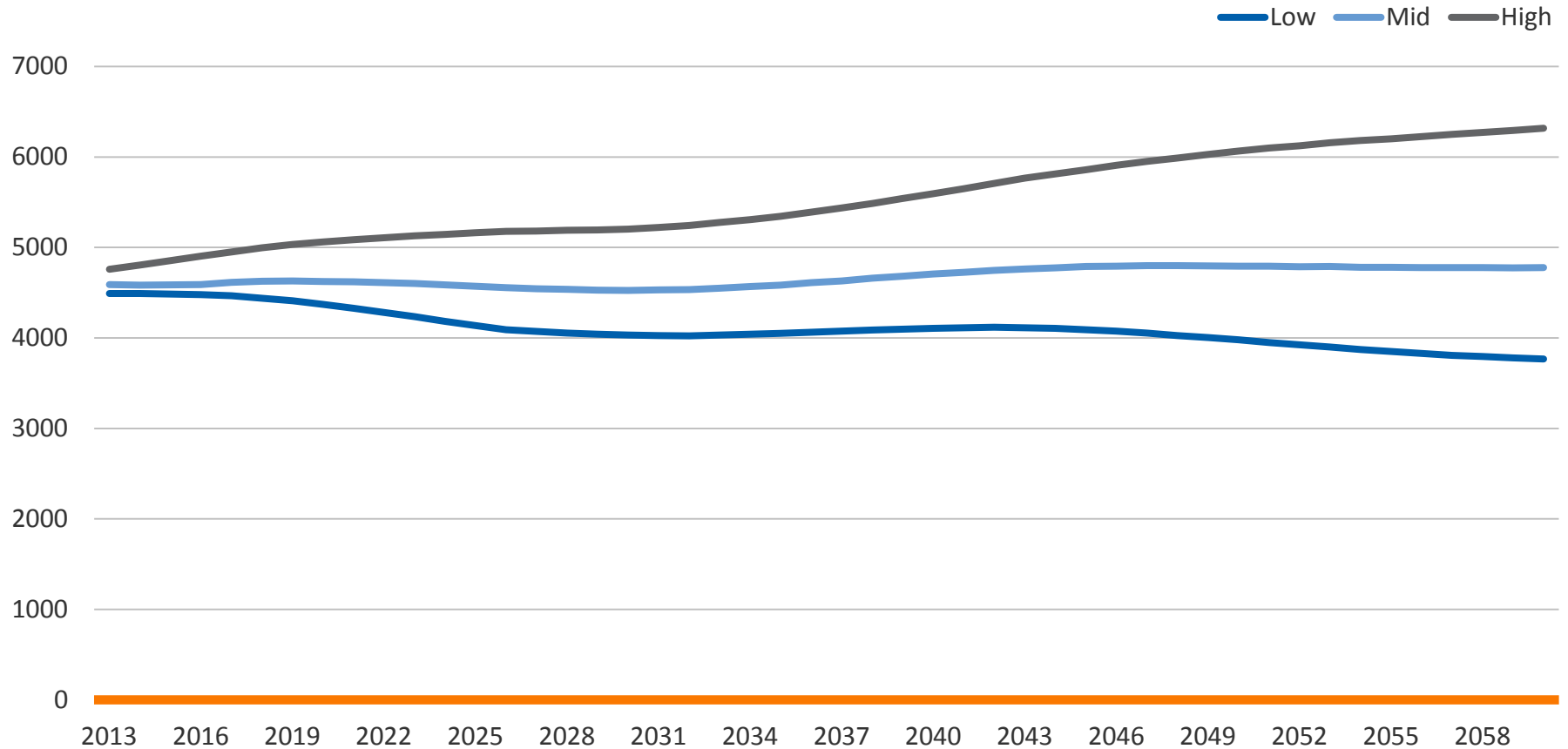
THE ICELANDIC POPULATION

ICELANDERS WILL BE CLOSE TO 450 THOUSAND IN 2060



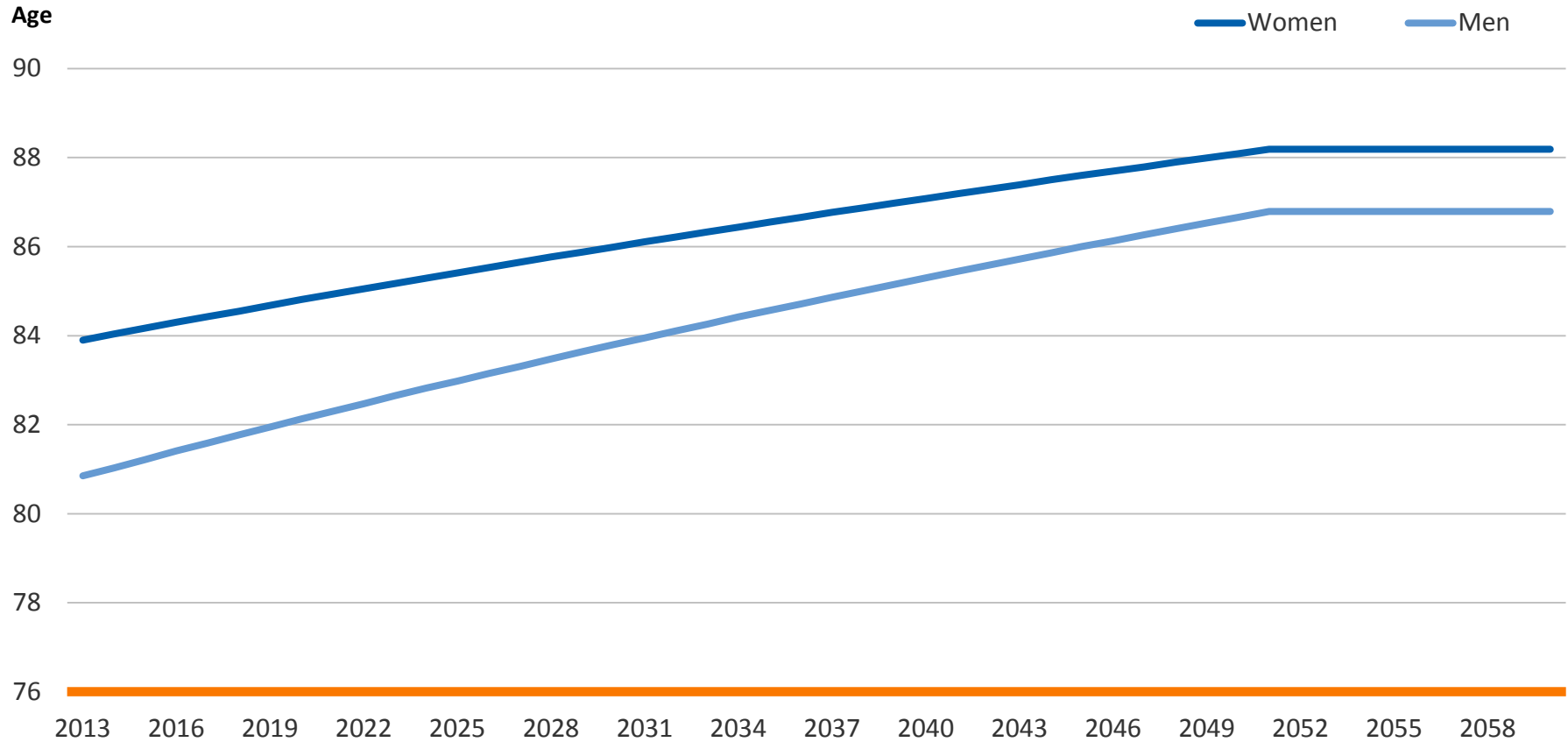
ESTIMATED BIRTHS

BIRTHRATE WILL STAY RELATIVELY UNCHANGED



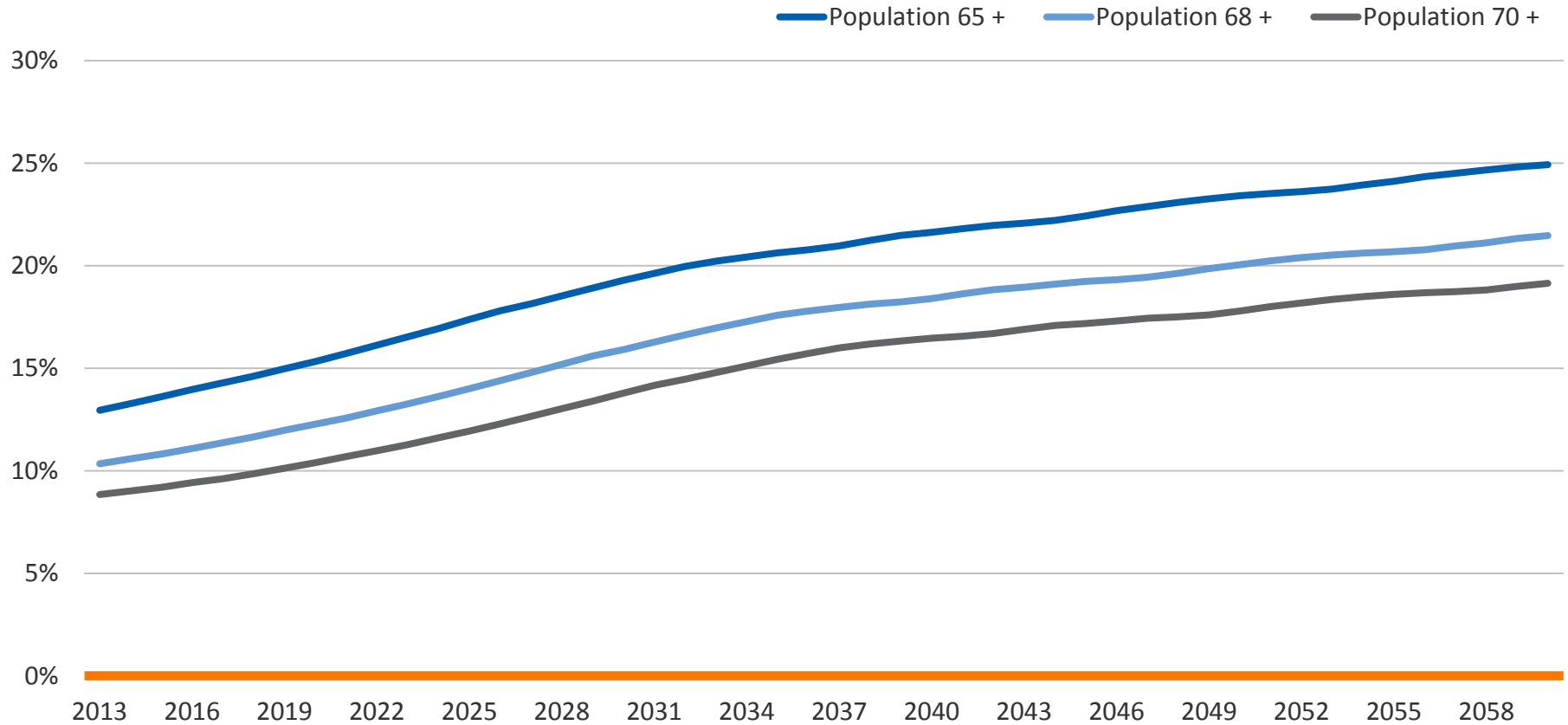
LONGEVITY IS ON ITS WAY UP

NEWBORN ICELANDERS CAN EXPECT TO LIVE LONGER



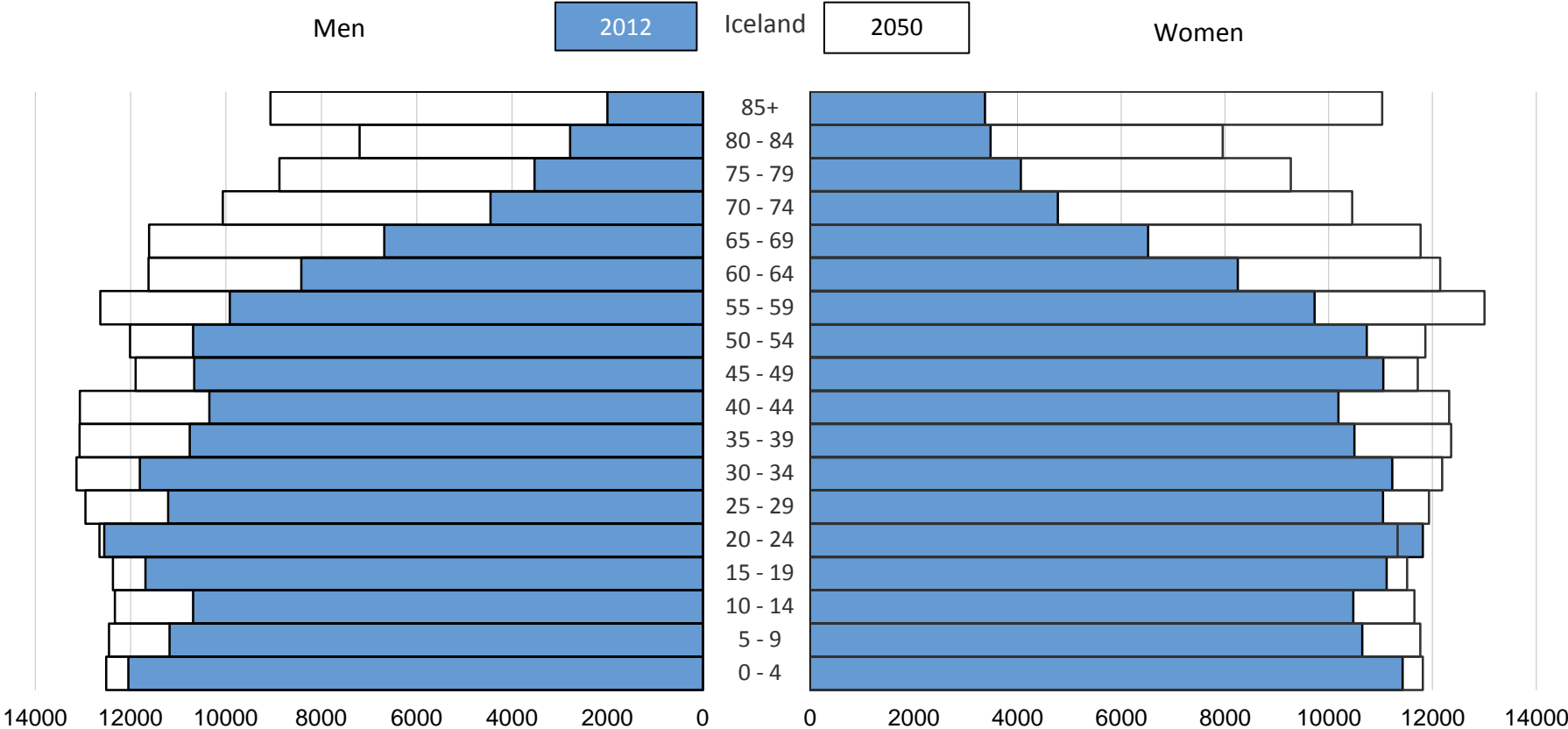
MEANING THAT THE NATION WILL GET OLDER

SENIOR WILL DOUBLE AS A PERCENTAGE OF POPULATION



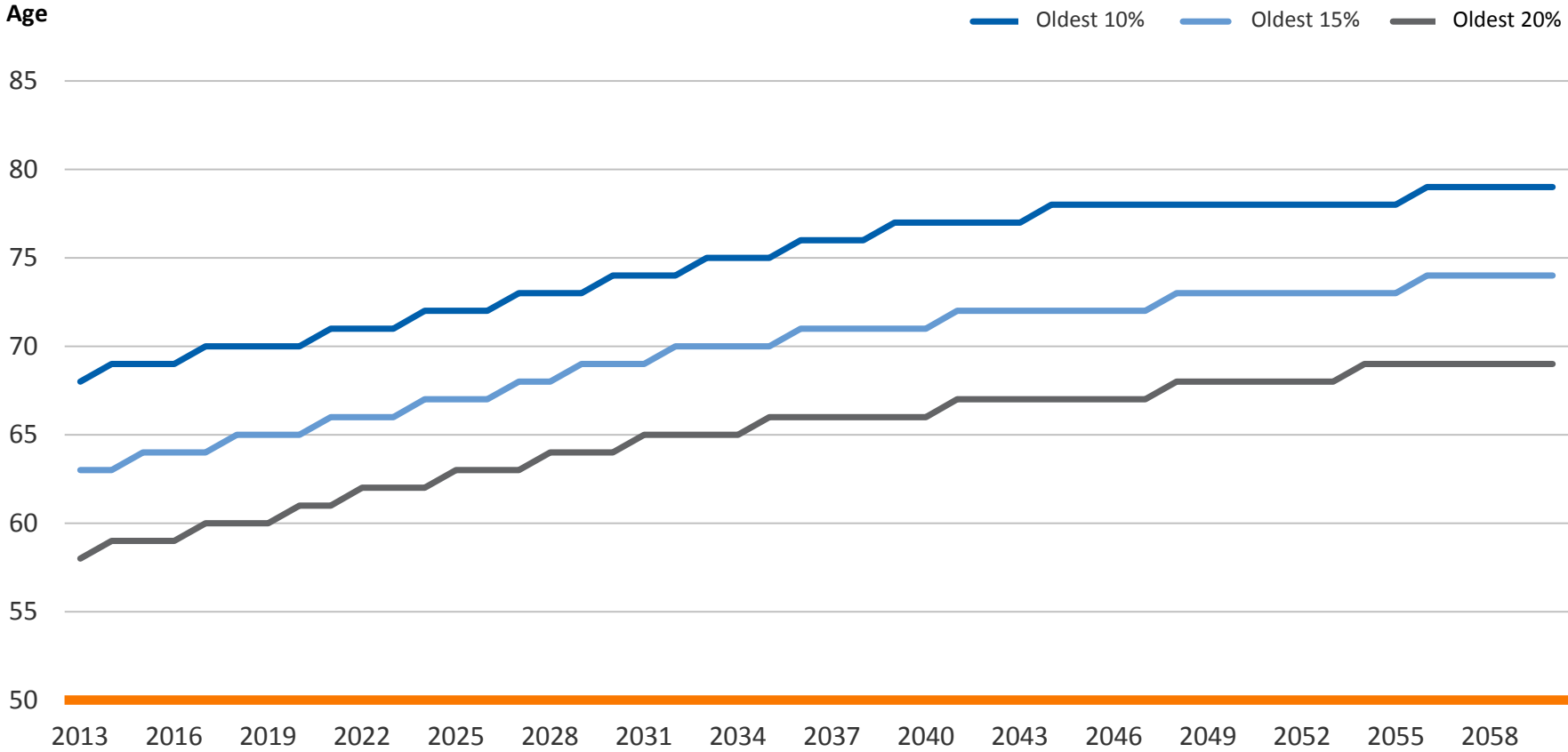
THE DEMOGRAPHICS

SIGNIFICANT CHANGES



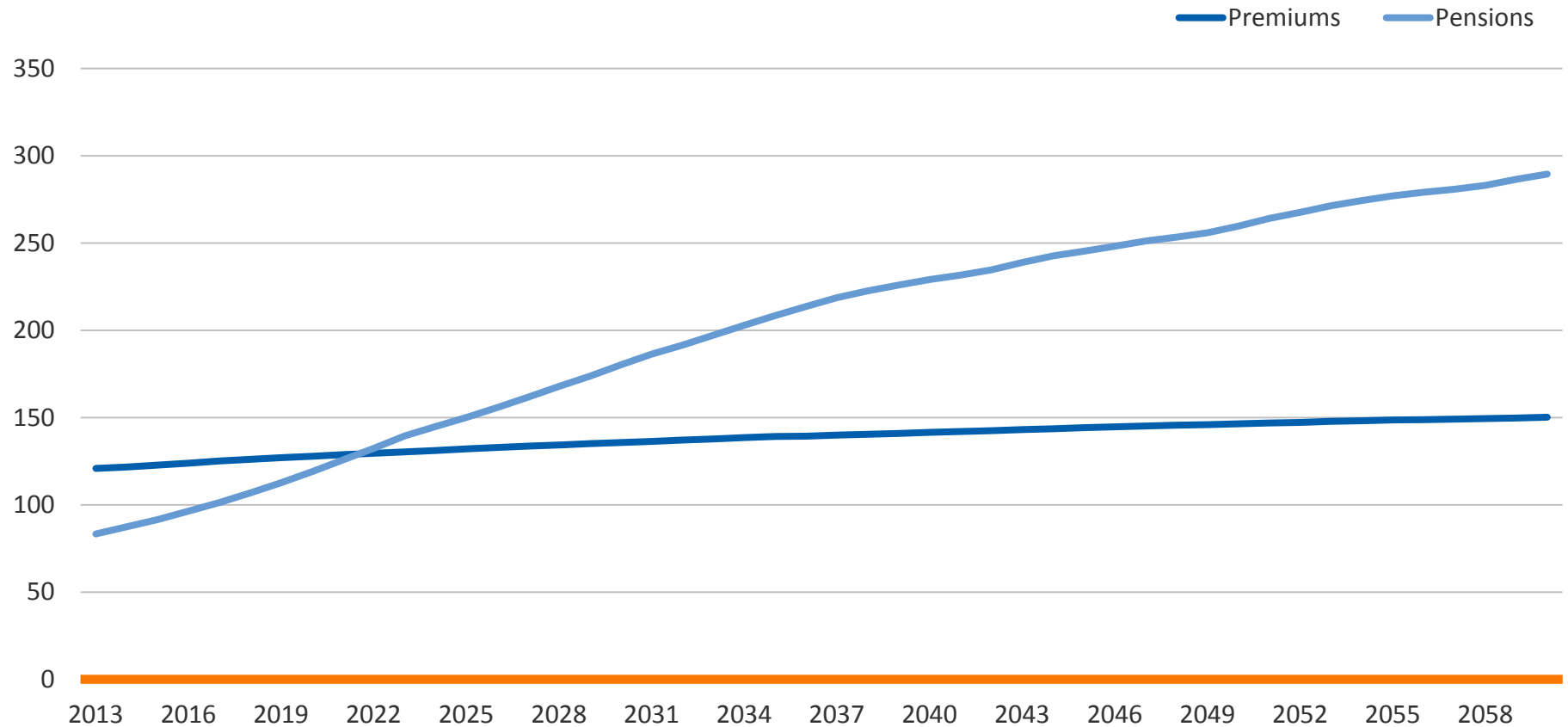
THE CHANGES ARE SIGNIFICANT

TO KEEP THE SAME PERCENTAGE ON PENSION, THE RETIREMENT AGE HAS TO INCREASE



PREMIUMS AND PENSION PAYMENTS

DEVELOPMENT OF IN/OUTFLOW OF THE ICELANDIC PENSION SYSTEM



In real terms, 2013 price level.

THE EFFECTS OF DEMOGRAPHIC CHANGES

THE ICELANDIC SOCIETY WILL CHANGE

- Demographic changes will affect all parts of the Icelandic society
 - The Pension Funds
 - The welfare system
 - The financial system
 - Day to day life
- The effects on Icelandic Pension Funds
 - More outflow in pension payments
 - Funding level will decline
- How can the Icelandic Pension Funds handle the inevitable changes?
 - Consistently have extremely strong return on investments, above requirements
 - Increase the premiums paid to the funds, without increasing benefits
 - Increase the retirement age
 - Reduce the benefits

