



FJÁRMÁLAEFTIRLITIÐ

THE FINANCIAL SUPERVISORY AUTHORITY, ICELAND

## **Supervisory Challenges in the Icelandic Pension Market**

Björn Z. Ásgrímsson - Risk & pension analyst  
Financial Supervisory Authority, Iceland

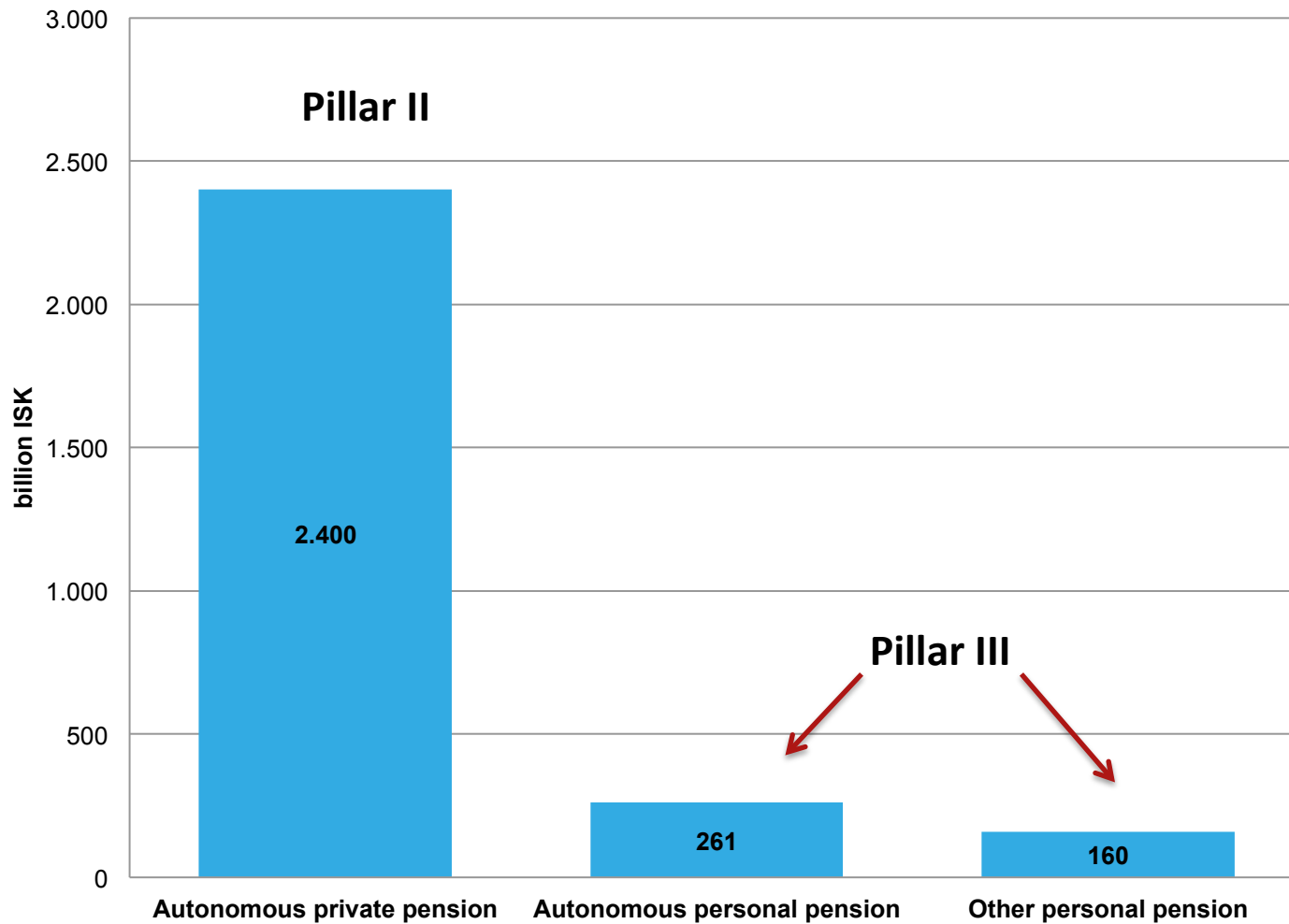
# Pension funds assets as % of GDP

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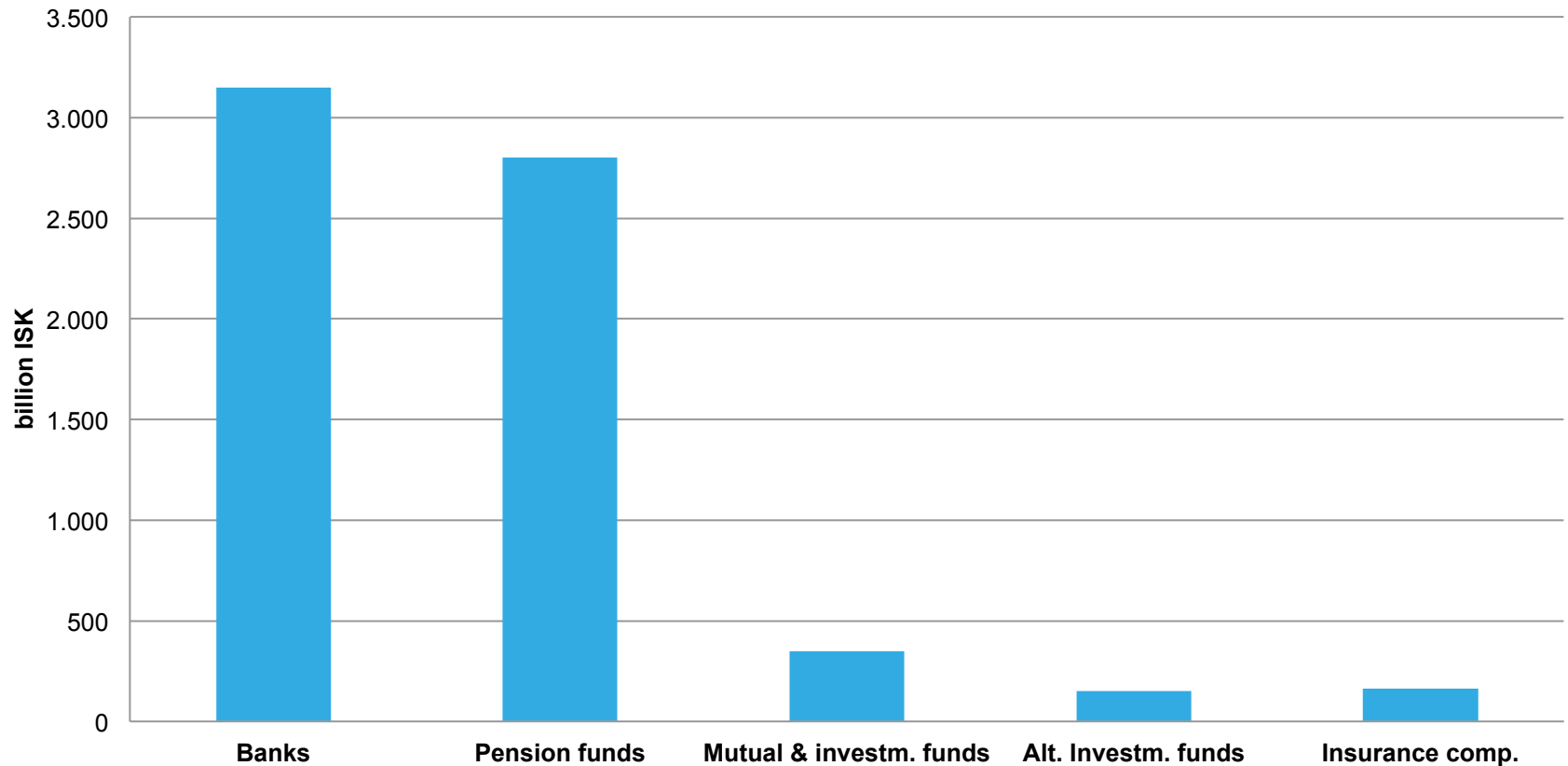
Pillar II - autonomous private pension	126%
Pillar III - autonomous personal pension	14%
Pillar III - other personal pension	8%
<b>Total</b>	<b>148%</b>

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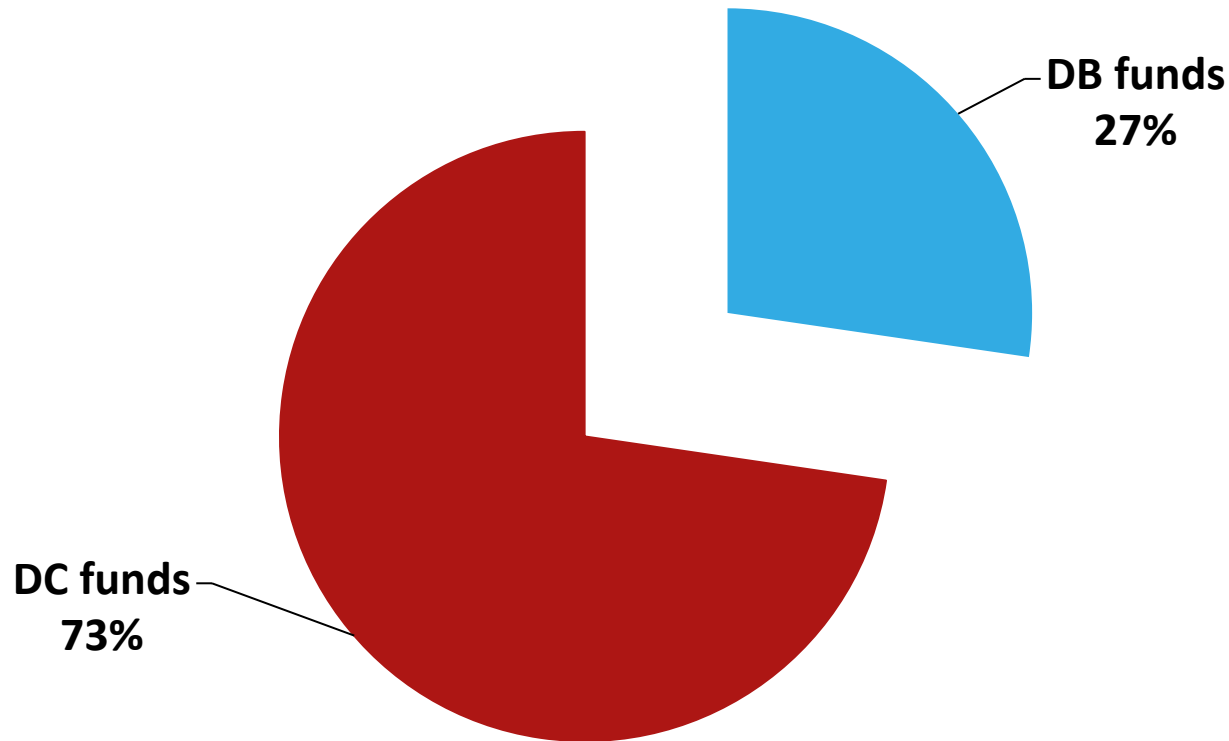
# Pension funds assets year 2013



# Supervised entities assets year 2013



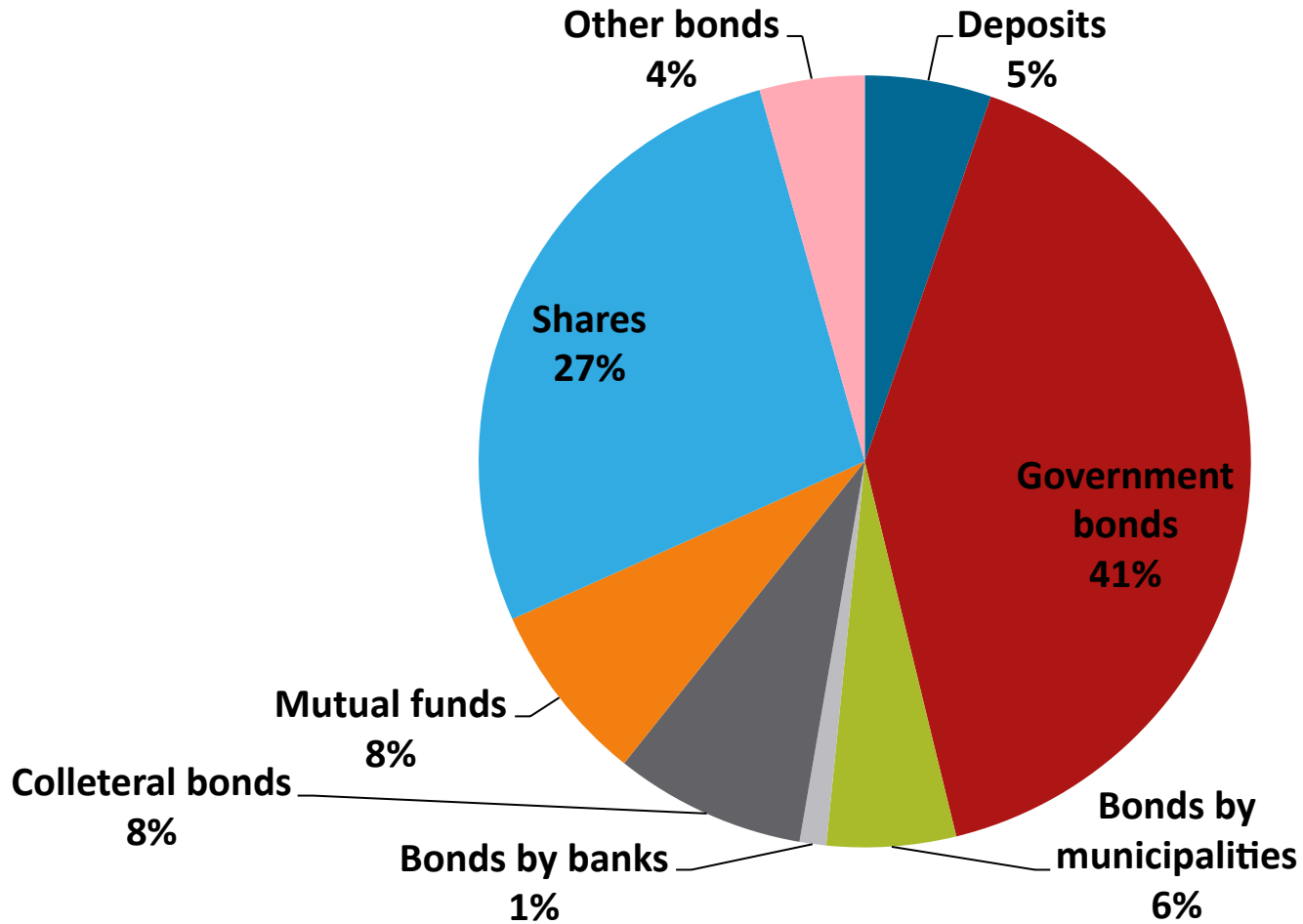
# Pillar II pension fund assets close to 130% of GDP



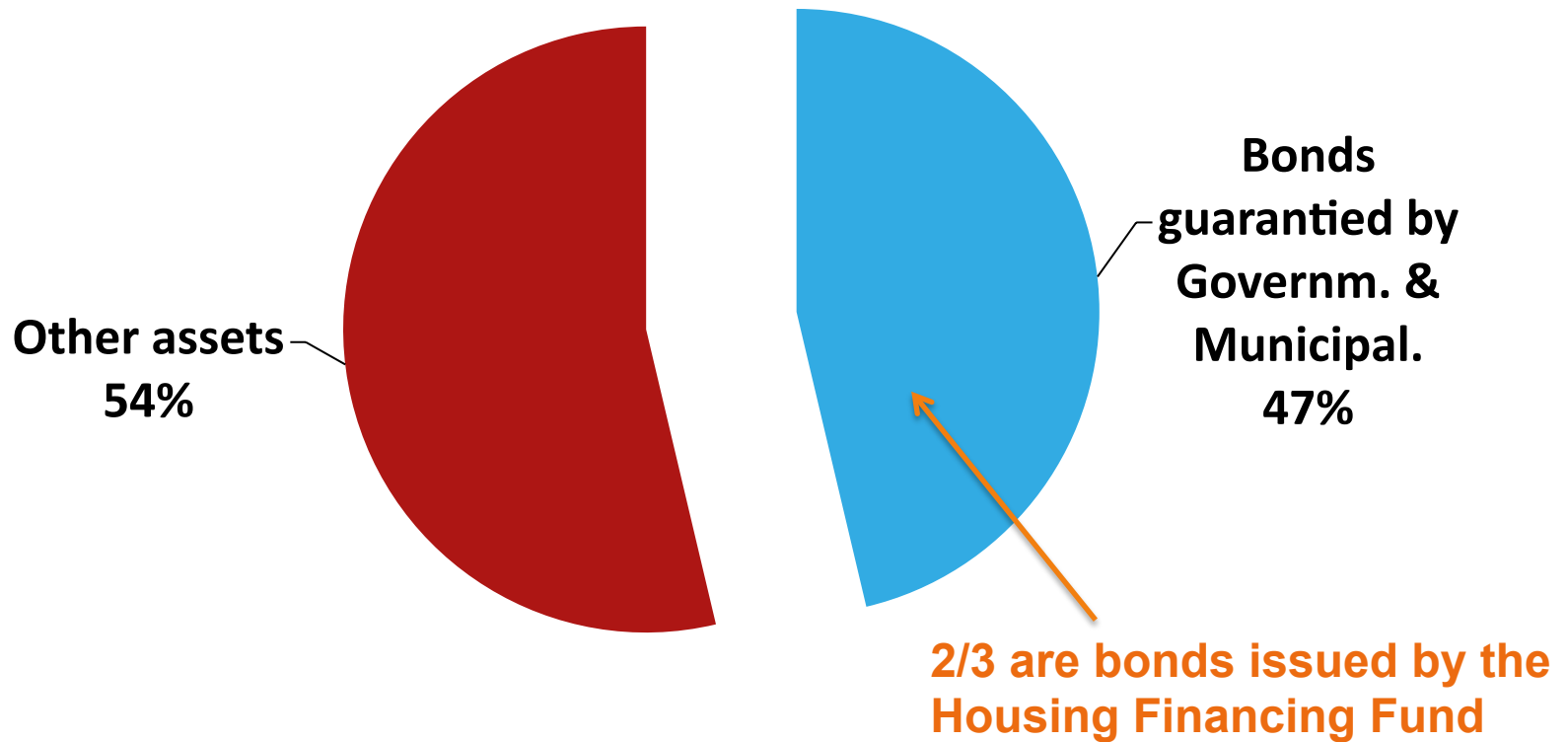
# Pension funds in a closed economy



# Pillar II pension funds asset allocation



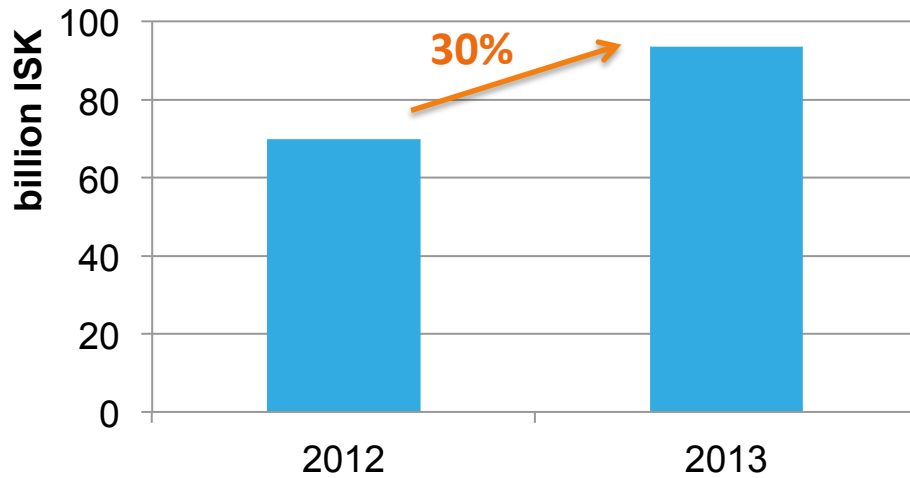
# High exposure on bonds guaranteed by the government



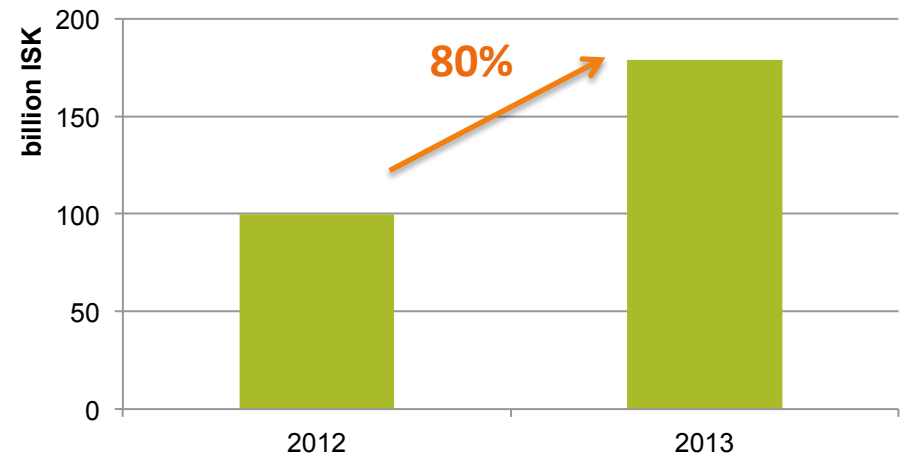


# Major trends in 2013

## Unlisted domestic shares



## Listed domestic shares



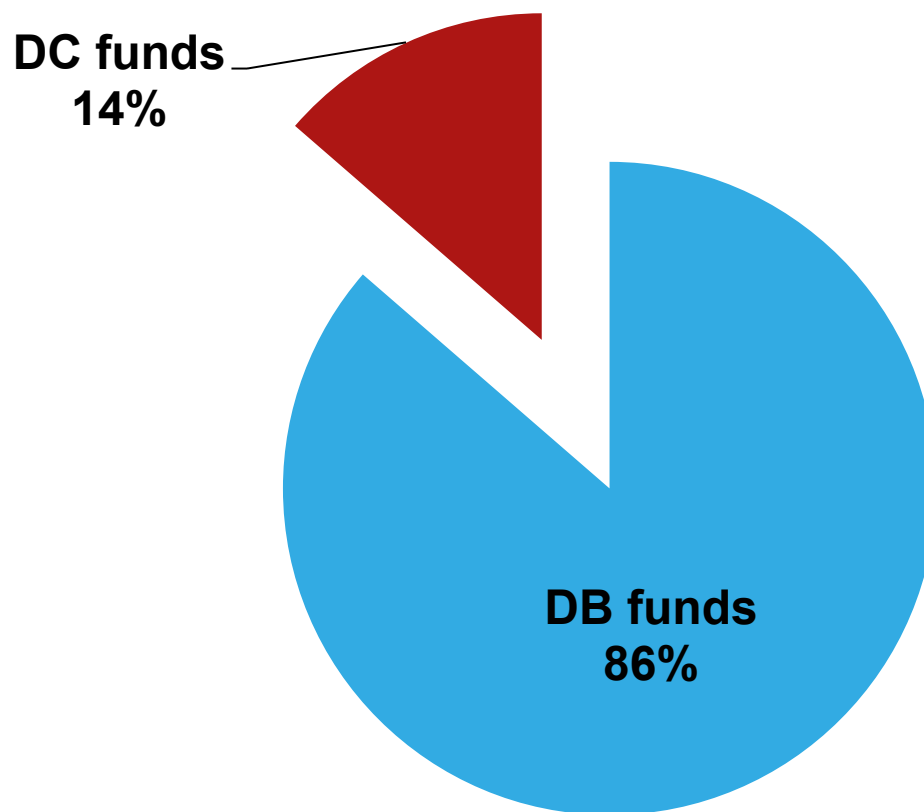
# Elephant in the room



Deficit



# Accrued actuarial deficit (close to 32% of GDP)



# Pension benefits

- Autonomus pension funds (Pillar II) are the main providers of pension benefits, offering:
  - Old age pension
  - Disability pension
  - Pension to surviving spouse
  - Pension to surviving children

# Pension payments 2012

## billion ISK

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PAYG state pension - Pillar I 58

Pension funds - Pillar II 74

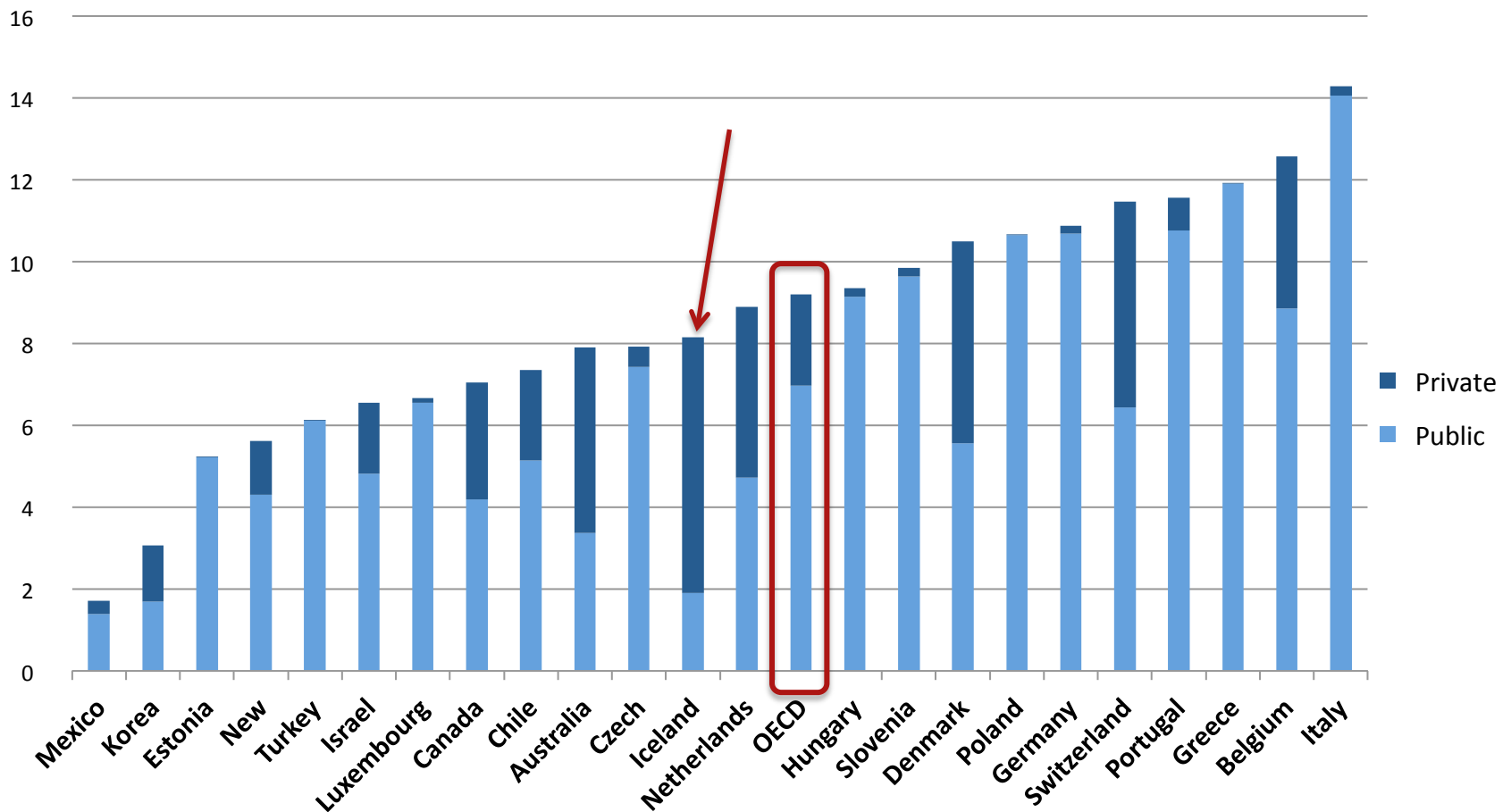
Pension funds - Pillar III 10

Depositor - Pillar III 12

**Total pension excl. PAYG 96**

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# Public and private expenditure (%/GDP) on pensions in selected OECD countries, 2011



# Future challenges

- The size of the pension system
- Capital control/closed economy
- Sovereign risk
- Increased systemic risk
- Retirement saving adequacy
- Sustainability

# Elephants in the room

