

OPERATION OF PRIVATE PENSION FUNDS

GENERAL INFORMATION

On 30 September 2009, there were six private pension funds operating in Latvia: five open funds (subsidiaries of Latvian banks) and one closed pension fund. At the end of reporting period, six private pension funds offered 19 pension plans.

At the end of the reporting period, total assets of private pension funds rose by 21.9% compared to the end of 3Q 2008 and totalled 1.5 million lats. Overall, the private pension funds posted a profit of 118.2 thousand lats in 3Q 2009 (however, two out of six private pension funds ended the reporting period with losses).

PENSION PLANS

On 30 September 2009, there were 187,695 participants in the private pension plans, or by 11.9% more than on 30 September 2008 (16.1% of Latvia's economically active residents¹).

Contributions to pension plans in the past 12 months were made by 120,282 participants, or 64.1% of total participants, 27,916 participants, or 14.9% of total participants were passive participants who continued their participation in pension plans without making any contributions. The share of participants who had reached the retirement age stipulated by pension plans and did not make contributions any more but continued their participation in pension plans by receiving the accrued pension capital by parts constituted 39,497 participants, or 21.0%.

With deterioration in the national economic situation, contributions made to pension plans also diminished by 14.9%, or 2.2 million lats in comparison with three quarters 2008, therefore in the first three quarters of 2009 contributions to the pension plans totalled 12.6 million lats (compared to 14.8 million lats at end-3Q 2008). Of total contributions, 64.4% were made by employers (compared to 60.7% in three quarters 2008). In comparison with 3Q 2008, the volume of contributions by individual participants to pension plans fell by 22.9%, while contributions by employers decreased only by 9.7%.

At the end of reporting period, net pension plan assets or the pension capital accrued by pension plans had increased by 15.6% compared to end-3Q 2008 and totalled 90.4 million lats. Upon the stabilizing of investment value of pension plans the average return on pension plans in three quarters of 2009 totalled 11.0% (compared to -4.5% in three quarters of 2008).

In three quarters of 2009 the amount of benefits paid out considerably grew totalling 9.0 million lats. The greater part, or 98.9% of total benefits, was paid to beneficiaries upon retirement of pension plan participants, and only 1.1% upon the death of participants.

At the end of 3Q 2009 pension plan assets had grown by 13.0% compared to 3Q 2008 and totalled 91.5 million lats. The pension plan structure of investments remained similar to that of previous reporting periods. Major investments were made in debt securities and other fixed income securities, 38.8% of total pension plan assets (see Figure 1), and such investments

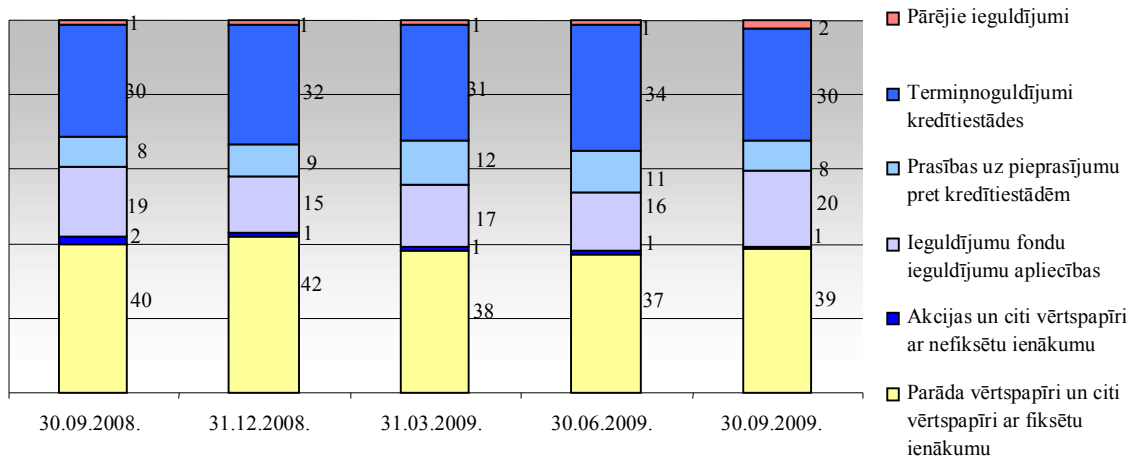
¹ According to the Central Statistical Bureau – www.csb.lv.

totalled 35.5 million lats on 30 September 2009, while investments in time deposits with credit institutions made up 30.2% of total pension plan assets, or 27.7 million lats. The share of investments in investment fund investment certificates at end of 3Q 2009 was 20.0% of total asset investments, or 18.3 million lats and grew by 1 percentage point in comparison with 3Q 2008.

Figure 1

PENSION PLAN ASSET STRUCTURE

(as a percentage)



Overall, on 30 September 2009 the investment portfolio of pension plans comprised 85.0 million lats. Investments made in foreign countries at the end of 3Q 2009 had decreased by 3.3% compared with 3Q 2008 and was 36.5 million lats. Of total, 48.5 million lats, or 57.1%, were invested in Latvia (see Figure 2), 8.4% investments were placed in Luxembourg, 7.0% – in France, 5.2% – in Ireland, 2.9% – in Lithuania, 2.4% – in Finland, 2.8% – in Germany, 1.1% – in Russia, 1.3% – in the United Kingdom, 1.0% – in Estonia and the rest 12.1% – in securities issued by 19 other countries.

Of total investments abroad, 97.9% were made in the European Union states.

Figure 2

GEOGRAPHICAL BREAKDOWN OF PENSION PLAN INVESTMENTS

(as a percentage)

