

OPERATION OF PRIVATE PENSION FUNDS

GENERAL INFORMATION

At end-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.

By the end of the reporting period, total assets of private pension funds rose by 21.2% compared to end-2008 and totalled 1.5 million lats. Overall, the private pension funds posted a profit of 89.7 thousand lats in 2009 (though two out of six private pension funds ended the reporting period with losses).

PENSION PLANS

On 31 December 2009 there were 189,499 participants in the private pension plans or by 6.3% more than on 31 December 2008 (16.3% of Latvia's economically active residents¹).

Contributions to pension plans in the past 12 months were made by 118,249 participants or 62.4% of total participants, while 31,743 participants or 16.8% 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 39,507 or 20.8%.

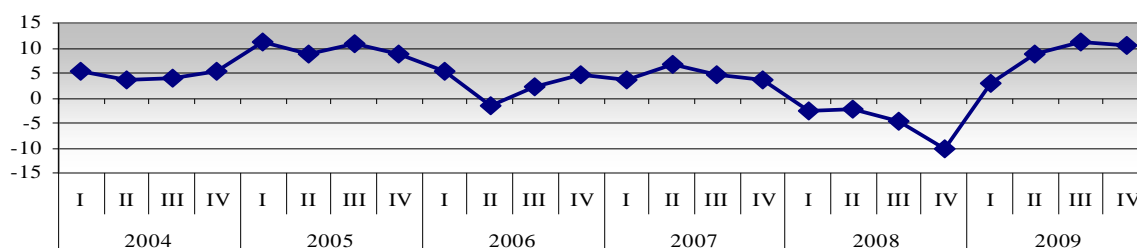
Following the economic downturn and decreasing income level, contributions made to pension plans in the reporting period also diminished by 29.7% or by 7.3 million lats compared to 2008, therefore in 2009 contributions to the pension plans totalled 17.3 million lats (compared to 24.6 million lats at end-2008). Of total contributions, 60.9% were made by employers (compared to 56.3% at end-2008). In comparison with end-2008 the volume of contributions made by individual participants to pension plans decreased by 37.1%, while contributions by employers shrank only by 24.0%.

At the end of reporting period, net pension plan assets or the pension capital accrued by pension plans had increased by 17.6% as compared to end-2008 and totalled 94.5 million lats. Upon the stabilizing of investment value of pension plans the average return on pension plans in four quarters of 2009 totalled 10.5% (compared to -10.1% in the four quarters of 2008) (see Figure 1).

Figure 1

RETURN ON PENSION PLANS²

(as a percentage)



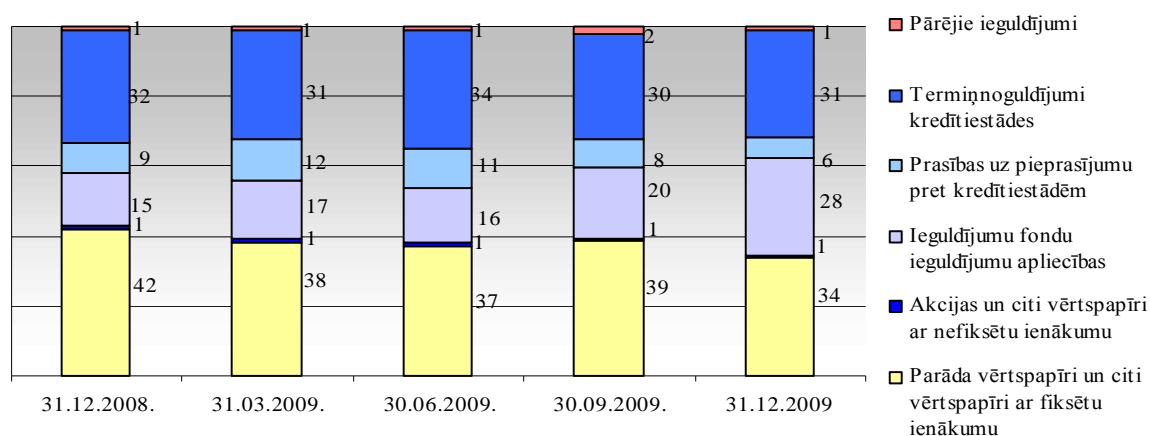
¹ According to the Central Statistical Bureau – www.csb.lv.

² Return on pension plans – proportion of pension plan performance to average net assets of pension plans, expressed in annual percentage.

In 2009, the amount of benefits paid out considerably grew more than twofold and made up 11 million lats. The greater part, or 98.6% of total benefits, was paid to beneficiaries upon retirement of pension plan participants, and only 1.4% upon the death of participants.

By end-2009 pension plan assets had grown by 17.80% compared to end-2008 and totalled 95.3 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, 33.8% of total pension plan assets (see Figure 2), and such investments amounted to 32.2 million lats on 31 December 2009, while investments in time deposits with credit institutions totalled 30.6% of total pension plan assets or 29.2 million lats. The share of investments in investment fund investment certificates at end-2009 was 27.9% of total asset investments, or 26.6 million lats, and increased by 13.2 percentage points in comparison with end-2008.

Figure 2
PENSION PLAN ASSET STRUCTURE
(as a percentage)



Overall, on 31 December 2009 the investment portfolio of pension plans accounted for 92.1 million lats. Investments made in foreign countries by end-2009 had grown by 42.9% and totalled 43 million lats. Of total, 49.1 million lats or 53.3% were invested in Latvia (see Figure 3), 15.0% of investments were placed in Luxembourg, 5.9% – in France, 4.2% – in Ireland, 3.5% – in Germany, 2.2% – in Denmark, 2.8% – in Lithuania, 2.4% – in Finland, 1.1% – in Russia, 1.0% – in the United Kingdom, 1.6% – in Estonia and the rest 7.0% – in securities issued by 21 more countries.

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

Figure 3
GEOGRAPHICAL BREAKDOWN OF PENSION PLAN INVESTMENTS
(as a percentage)

