How the GREEK PENSION SYSTEM IS COPING WITH THE CRISIS-BUCHAREST FORUM

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WORLD PENSIONs SUMMIT 2015

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<u>The exacerbation of the crisis: The dramatic effect of the Greek Debt Restructuring Program (Private Sector Involvement-PSI) to the Assets of the Greek Pension Funds</u>

- Official Parliament records undoubtedly illustrate how the debt restructuring program was effected between 2010-2012: Major bondholders of Greek Debt were certain European Banks with more than 2/3 of the existing total until the dawn of the crisis in 2009; Until 2012 they had monetized almost 80% of it, while ECB and Greek Banks were purchasing those, increasing their holdings
- The ECB acting as a “last resort” buyer in order to provide liquidity and the Greek Banks having agreed to be recapitalized by EFSF by 50 billion, partly for NPL’s due to crisis and partly for their losses in GGB’s
- The Pension Funds were mandated by Greek Law to keep 77% at least of their tangible assets to Greek Bonds! So, when the PSI was determined in March 2012, they lost in notional values 53,5% and in NVP more than 70%.
- How much they lost altogether? Probably more than 17 billion euros!

The DEBT RESTRUCTURING PROCESS DESTROYED THE ASSETS OF GREEK PENSION FUNDS

Only a small portion of it was recovered; And this was due to an "insightful" crisis management decision that an affiliate asset management company took (owned by the major Greek Pension Funds & the National Bank of Greece), namely "HPMF".

The company was holding more than 750 million Euros of GGB's to it's portfolio, and managed to "recalibrate" it by selling the risk free EFSF bonds at par and cautiously re-investing in new GGB's at a very low trading value. This didn't only mitigate the losses but created a quite substantial profit.

DESTRUCTION OF THE GREEK PENSION FUND ASSETS IN GGB's –INITIATIVES BY THE GOVERNMENT TO COMPENSATE FOR THE LOSSES

- As the situation unfolds now, it is highly unlikely that the Pension Funds, both the State "subsidized" and the "occupational" ones will survive at the long term
- The new government has announced that by coming September, and assuming that our country will start eventually to "recuperate" from its wounds, a new "Fund for the Management of Sovereign and Social Security Assets" will be established
- A number of proposals have been put to perspective stemming from various sources-levies to public works, oil and gas exploitation of future cash flows, provisions for the sale of state properties to be directly conveyed to the Fund, privatization contributions, etc.
- It's AUM will be at the region of 10 billion at least, and it will be operating as modern structures in all other countries, according to the updated actuarial studies that will be subject to the Institutions approval.