



Annual Report 2018

Lífeyrissjóður starfsmanna ríkisins (LSR)

Overview

Role of the funds

The principal role of LSR is to pay pensions to its members upon retirement and throughout their lives and to ensure their families with a pension following a loss of income due to an impaired ability to work or due to death. The fund receives contributions and invests them in order to meet the liability regarding old-age pension, disability pension, spouse's pension and children's allowance. Furthermore, the fund grants loans against a mortgage to fund members and accepts and invests

voluntary pension savings. In 2018, LSR had a total of 31,703 active members and 23,804 members received pensions and other benefits. The fund pays over one-third of all pensions and benefits paid by Icelandic pension funds. LSR operates in three divisions, divisions A and B, and a division for voluntary pension savings. All divisions have the same board but are financially separated from each other.

Investment policy

The investment policy is as shown below. It is reviewed at least once a year considering changes in market situations, laws and regulations. LSR follows a strategic asset allocation policy that targets the percentage to be invested in each asset class.

	Division A			Division B			Division SI			Division SII			Division SIII		
	Policy	Variation		Policy	Variation		Policy	Variation		Policy	Variation		Policy	Variation	
Government bonds	28%	20%	45%	28%	20%	40%	10%	0%	20%	18%	0%	30%			
Mortgage bonds	15%	8%	25%	10%	5%	15%	0%	0%	0%	0%	0%	0%			
Municipal bonds	2%	0%	5%	5%	0%	10%	3%	0%	10%	5%	0%	10%			
Cash and deposits	1%	0%	10%	3%	0%	10%	5%	0%	20%	5%	0%	20%	100%	0%	100%
Covered bonds	4%	0%	10%	2%	0%	5%	0%	0%	5%	0%	0%	5%			
Financial Institution bonds	1%	0%	5%	1%	0%	5%	2%	0%	5%	2%	0%	5%			
UCITS funds	25%	15%	35%	25%	20%	35%	50%	30%	80%	40%	20%	80%			
Corporate bonds	5%	0%	10%	7%	0%	10%	0%	0%	5%	0%	0%	5%			
Bonds issued by other funds for collective investment	2%	0%	5%	2%	0%	5%	0%	0%	0%	0%	0%	0%			
Equities	12%	5%	15%	12%	5%	15%	15%	10%	20%	10%	0%	20%			
Shares issued by other funds for collective investment	5%	0%	10%	5%	0%	10%	15%	0%	30%	20%	0%	40%			
Real Estate	0%	0%	1%	0%	0%	1%	0%	0%	0%	0%	0%	0%			
Derivatives	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%			
Other securities	0%	0%	1%	0%	0%	10%	0%	0%	0%	0%	0%	0%			
Total foreign investments	30%	20%	40%	30%	25%	40%	44%	35%	55%	27%	20%	40%	0%	0%	0%



Investments

Total net investments in the year 2018 were 67.1 billion ISK. The fund invested 30.9 billion ISK in bonds, 2.9 billion ISK in equities, 23.6 billion ISK in UCITS funds and 9.8 billion ISK in shares issued by other funds for collective investment.

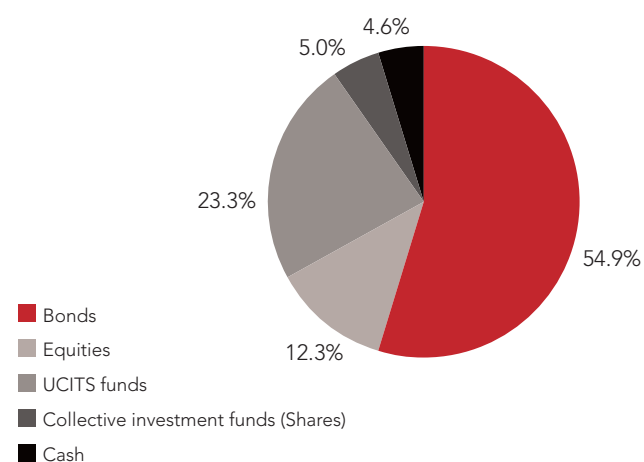
Net investments 2018

	(m. ISK)
Government bonds	(12,659)
Mortgage bonds	33,739
Municipal bonds	819
Covered bonds	826
Financial Institution bonds	2,223
UCITS funds	23,578
Corporate bonds	4,850
Bonds issued by other funds for collective investment	1,076
Equities	2,860
Shares issued by other funds for collective investment	9,782
Total	67,094

Total assets

In the year-end 2018 total assets in securities amounted to 872 billion ISK. Assets in bonds amounted to 478.9 billion ISK or 54.9% of total assets, assets in equities were 107.1 billion ISK or 12.3%, total assets in UCITS funds were 203.1 billion ISK or 23.3% and total assets in shares issued by other funds for collective investment were 43.2 billion ISK or 5%. Cash and deposits amounted to 39.8 billion ISK in the year-end or 4.6% of total assets.

Total assets 2018



Total assets 2018

	(m. ISK)	Proportion
Government bonds	245,885	28.2%
Mortgage bonds	120,327	13.8%
Municipal bonds	20,264	2.3%
Cash and deposits	39,765	4.6%
Covered bonds	25,362	2.9%
Financial Institution bonds	3,970	0.5%
UCITS funds	203,093	23.3%
Corporate bonds	52,664	6.0%
Bonds issued by other funds for collective investment	10,397	1.2%
Equities	107,056	12.3%
Shares issued by other funds for collective investment	43,167	5.0%
Real Estate	59	0.0%
Total	872,010	100.0%

Return and asset allocation 2018

Return	2018	2017
Nominal return	5.6%	7.6%
Net real return	2.1%	5.6%
Average 5 year net real return	4.7%	5.6%

Asset allocation

Cash	4.6%	6.4%
Bonds	54.9%	56.7%
Equities	12.3%	11.6%
UCITS funds	23.3%	22.3%
Collective investment funds (Shares)	5.0%	2.9%



Foreign equities

LSR cooperates with external managers for investments and custody of foreign equities. For risk diversification purposes, investments are diversified between several managers with different investment styles and strategies. The external managers are listed in a table on this page.

Funds / Segregated portfolios LSR 2018

Foreign equities – UCITS funds and Segregated portfolios	(m.ISK)	Proportion
MFS FCP Global Equity	26,984	11.3%
Vanguard Global Stock Index	24,977	10.5%
Schroder Global Active Value	19,398	8.2%
SSgA World Index Fund	15,878	6.7%
Schroder Global Core	14,969	6.3%
Wellington Global Quality Growth	13,446	5.7%
Morgan Stanley AEA Global Concentrated Portfolio	12,275	5.2%
Other funds	84,936	35.7%
	212,863	89.5%
Collective Investment Funds		
Oberon Credit Investment Fund III	3,171	1.3%
AIP Private Markets Fund VI	2,844	1.2%
Oberon Credit Investment Fund II	2,103	0.9%
Landsbanki Private Equity II - B	1,566	0.7%
Partners Group Direct Equity 2016	1,285	0.5%
New Mountain Partners IV	1,131	0.5%
Schroder Private Equity Fund of Funds IV	1,039	0.4%
Other funds	11,848	5.0%
	24,987	10.5%
Total	237,850	100.0%

The annual account



▶ Selected Financial Information