



Promoting and Developing
Social Security Worldwide.

Case Study: Jordan

Seminar on Social Security in Times of Crisis:
Impact, Challenges and Responses

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Social Security Funds in Times of Crisis:

The Jordan Scenario

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Jordan in the Global Economy

- Open Trade Regime
 - WTO (since 2000)
 - USFTA / EU Association / GAFTA
- Free Capital Mobility
 - Full currency convertibility
 - No restrictions on FDI
 - No restrictions on financial flows (repatriation of profits, income, interest, etc)



Jordan's Financial Sector

- No government ownership
- Sound, profitable and well capitalized banking system
- Presence of reputable foreign banks
- Active and developed securities market
- Improved securities market performance (Growth, Market Cap, Volumes)
- Rising international perception of regulatory strength

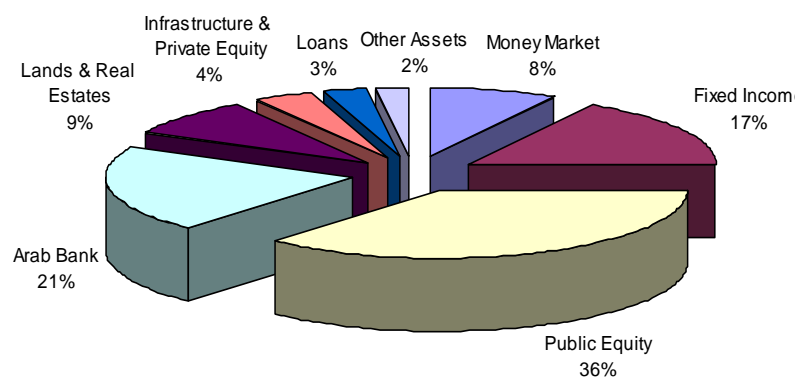


Social Security Investment Fund

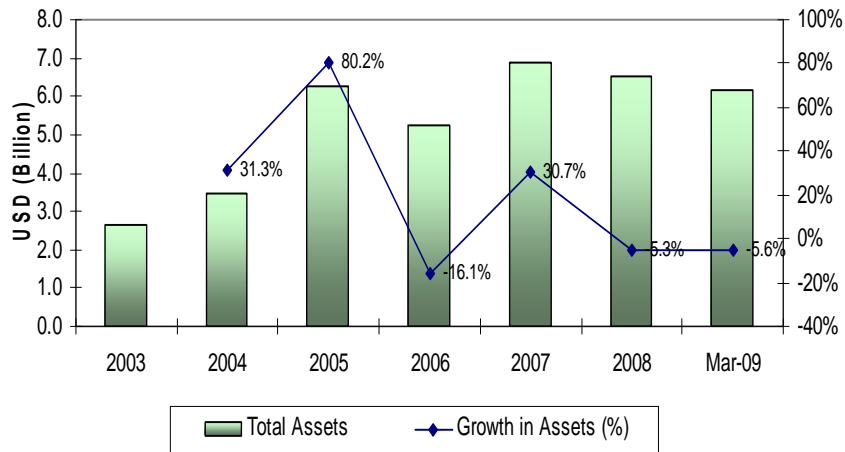
- Only Public Pension Fund in Jordan
(US\$ 6.6 billion)
- Established in 2003 as separate Unit
- Publicly Owned, but Independently Governed
 - (high levels of compliance with int'l standards of governance, transparency and reporting)
- 98% of Fund invested in Domestic Economy



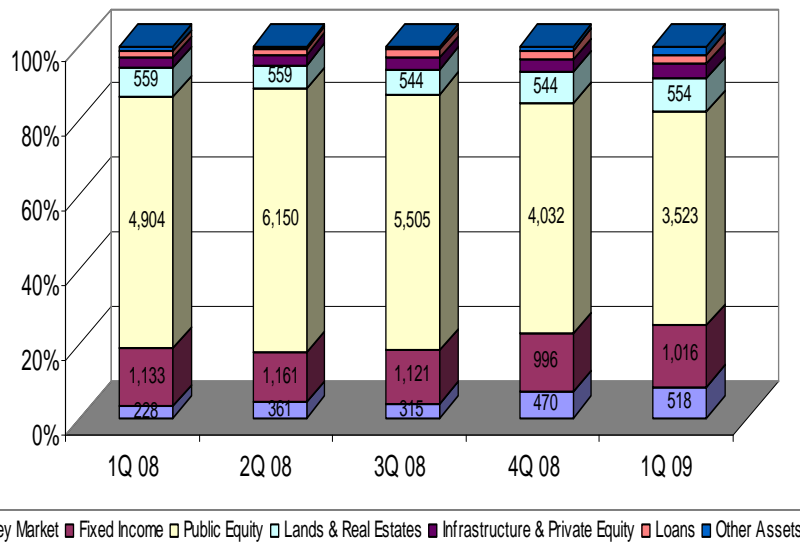
Asset Allocation : 1Q 2009



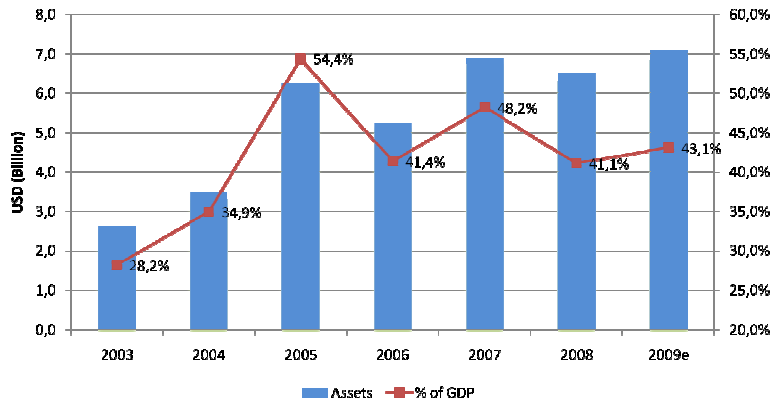
Growth in Assets



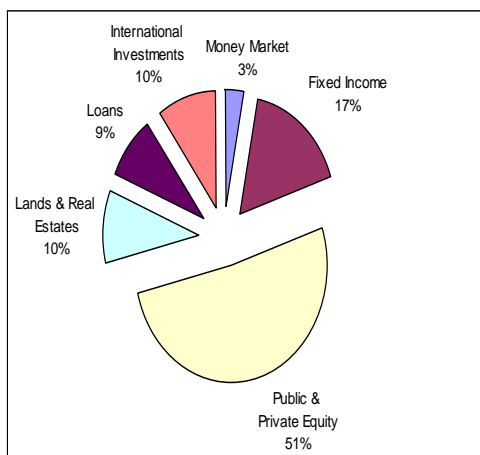
Impact of Global Economic Crisis



Assets as Percent of GDP



Strategy



- Increase international portfolio to 10% of total fund
- Asset swaps with other sovereign funds in the region
- Establish Index-Linked Fund
- Establish Private Equity Funds with third party managers (GP/LP Format)

✓ Long term sustainability of Social security Fund requires major changes in Social Security Law

Challenges

- Macroeconomic Stability
 - Growing budget deficit
 - Structural deficit in Balance of Payments
- Diversification
 - Exposure to local equity market
 - Single stock Exposure
 - Available investment opportunities
- Liquidity
 - Relatively thin volumes on Amman Stock Exchange
 - Private equity investments difficult to exit
- Accelerating Liabilities
 - Demographic make up of Jordan's population
 - Existing Social Security Law: Early Retirement Provisions; Benefits Formula



Final Thoughts

- Although limited exposure to international markets shielded portfolio, international diversification remains a necessary and effective risk management tool
- Risks to single market and single stock exposure outweighs risk in investing in international markets
- We were lucky – not smart!

