



Agreement on personal pension savings

1 Agreement on Personal Pension Savings Between the Fund Member and LSR Division S

The undersigned, hereinafter referred to as the Fund Member, and LSR Division S enter into the following agreement on personal pension savings.

2 Information on the Fund Member and Employer

Name _____ Id no. _____

Address _____

Postcode _____ Place _____

E-mail _____

Tel. - Mobile _____

Employer _____ Id no. _____

3 Contribution

The Fund Member wishes to pay a monthly contribution from their total wages to LSR Division S, as follows:

4% (max.) 2% ____ % (other)

4 Only for Fund Members in Division B - supplementary contributions (Note: Division B stopped accepting new members in 1997)

The Fund Member wishes to pay a supplementary contribution (maximum 4%):

____ % of overtime. For Fund Members who are still paying a compulsory contribution for daytime wages.

____ % of total wages. For Fund Members who don't have to pay contributions.

5 Choice of investment plan

The Fund Member wishes to invest their contributions according to **one** of the following investment plans:

- Plan I Securities with a focus on shares
- Plan II Securities with a focus on bonds
- Plan III Deposits
- Special Plan I transfers the Fund Member's contributions and assets from Plan I to Plan III at the age of 55
- Special Plan II transfers the Fund Member's contributions and assets from Plan II to Plan III at the age of 55

See further information on the investment plans below and on LSR's website, www.lsr.is

6 Payment arrangement

Monthly contributions are deposited by the Employer to the LRS Division S account no. 0334-26-58850, ID no. 421198-2259, pension fund no. 670. Payments shall commence no later than two months from the signing of this agreement.

The parties confirm the content of this agreement with their signatures and by so doing, agree to comply with the rules that apply to this agreement, cf. Chapter 1 of the Articles of Association of LSR. This agreement can be terminated with two months' notice. The agreement is made in three identical copies, one of which is retained by each of the parties and the Employer. Attention is drawn to the fact that the Wage Guarantee Fund guarantees up to 4% of the contribution base, according to the agreement on supplementary insurance benefits, cf. Chapter III of Regulation no. 462/2003. With your signature, you give LSR full and unlimited authority to initiate collection measures, at no cost to you, in the event of non-payment of contributions. It is therefore very important that LSR be immediately notified of any non-payment of contributions.

Date of signature

Fund Member's signature

For LSR Division S

The LSR Division S investment plans

LSR Division S offers three different investment plans, as well as the Special Plan

	Fluctuations in return	Age for Special Plan
Plan I	More fluctuations	54 and younger
Plan II	Less fluctuations	54 and younger
Plan III	Minimum fluctuations	55 and older

Plan I: The investment policy focuses on shares rather than bonds so there can be considerable fluctuations in returns. Plan I suits those who have many years until retirement and therefore time to even out the fluctuations.

Plan II: The investment policy focuses on bonds rather than shares so there are less fluctuations in returns than in Plan I and consequently less risk. Plan II suits those who have some years until retirement and wish to take medium risks with little fluctuations in returns.

Plan III: According to the investment policy, all personal pensions savings are invested in indexed deposit accounts. This plan particularly suits those who are close to pension age or want minimal risk and fluctuations in returns.

Special Plan

The LSR Special Plan is a convenient form of savings with the aim of insuring that the investment policy is in accordance with the Fund Member's age and risk choice. It is natural for people to reduce the weight of riskier investments as they get older and closer to pension age. The Special Plan is arranged so that Fund Members up to the age of 55 can choose between Plan I and Plan II. Shares have more weight in Plan I than in Plan II, where the focus is on bonds. At the age of 55, the assets of the Fund Member are transferred in equal payments over 36 months to Plan III. Fund Members receive a notification of the transfer.

A healthy return and prudent asset allocation of savings is the key to a comfortable pension. The investment policies are for the long term while there may be short-term deviations in asset allocation. Further information and advice on investments plans can be found on the LSR website, www.lsr.is, by calling LSR's consultants at 510-6100 or by sending enquiries to sereign@lsr.is.

Contribution

On 1.1.2012, the deductible contribution of wage earners to personal pension savings was lowered from 4% to 2% of total wages but will be raised to 4% again as of 1.7.2014. Contributions to personal pension savings are deducted from the tax base so income tax is calculated when the pension is paid. Pension contributions amounting to up to 8% of total wages may be deducted from the tax base. The compulsory pension contribution is 4% which gives leeway to contribute 4% of total wages to personal pension savings.

Only for Fund Members in Division B - supplementary contributions

In order to fully utilise deductions from the tax base, a supplemental contribution of up to 4% of overtime pay may be made for Fund Members who still pay a compulsory contribution, and a supplemental contribution of up to 4% of total wages for those who do not have to pay contributions.

From the Articles of Association of the Pension Fund for State Employees

Disbursement

A Fund Member who has reached a full 60 years of age is entitled to pension payments, although never before two years have passed from the first contribution.

Fund Members in Division S shall, no later than at the time when they start drawing their pension, make a written agreement on the payment of their personal pension savings.

Upon the death of a Fund Member, their assets in Division S will accrue to their heirs in accordance with the rules of the Inheritance Act. If the beneficiary does not have a spouse or children, the balance shall accrue, without limitation to the beneficiary's estate, cf. Article 8, Paragraph 2.2 of Act no. 129/1997.

A Fund Member who has to retire due to permanent health problems before the age of 60 is entitled to monthly or annual payments over a period of not less than 7 years. In the event that the percentage of disability is less than 100%, the annual payment shall be reduced in proportion to the reduced percentage of disability and the payment period extended accordingly. At the request of the Fund Member, deviation is permitted from the above refunding period if the balance is under ISK 500,000. This reference amount shall be adjusted annually based on changes in the consumer price index from the base index of 173.5 points.

Regular payments means equal payments relative to the number of payment years, so that the Fund Member receives, in each year, the portion of his balance, including income accruing to the balance, which corresponds to the number of years remaining of the repayment period.

Termination

An agreement on private pension savings contributions may be terminated with a notice of two months.

The agreement lapses, however, if a Fund Member ceases the employment on which the pension fund membership is based, according to Article 96, Paragraph 1 of LSR's Articles of Association, unless the member requests to continue contributing to the private pension savings division. Termination does not give rise to the right to disbursement of a balance or entitlements. The parties to an agreement on pension savings may agree, following the termination of their agreement, to transfer the balance or entitlements between those who can provide such agreements, cf. Article 8, Paragraph 3 of Act no. 129/1997, in exchange for reimbursement of costs.