

Articles of Association of the Government Employees' Pension Fund
(Lífeyrissjóður starfsmanna ríkisins)

SECTION I.

General provisions

Name of the Fund, object and division into departments

Article 1

- 1.1. The name of the Fund shall be the Government Employees' Pension Fund. The domicile of the Fund and legal venue are in Reykjavík. The object of the Fund is to ensure that pension benefits are available to its members, their surviving spouses and children in accordance with Act No. 1/1997 on the Government Employees' Pension Fund, Act No. 129/1997 on Mandatory Pension Savings and the Activities of Pension Funds, subsequent amendments to these Acts and these Articles of Association.

Article 2

- 2.1. The Fund is divided into four departments, Department A, Department B and a Defined Contributions Department (Personal Pension) and a Specified Personal Pension Department (*tilgreind séreignardeild*). The finances of the different departments shall be kept separate. Costs of operation shall be divided between them in proportion to each Department's share of the Fund's total activities according to rules set by the Fund's Board of Directors. Unless otherwise expressly stated, these Articles of Association apply to all Departments of the Fund, as applicable.
- 2.2. The Fund's operations are governed by the Act on Mandatory Pension Savings and the Activities of Pension Funds and the Act on the Government Employees' Pension Fund.

Board of Directors, staff and internal control

Article 3

- 3.1. The Board of the Fund shall consist of eight members. The Minister of Finance appoints four members, the Board of the Federation of State and Municipal Employees appoints two members, the Board of the Confederation of University Graduates appoints one member and the Board of the Teachers' Association of Iceland appoints one member. The same parties will appoint an equal number of alternate members. The period of appointment of members is three years. The Board elects a chairman and vice-chairman from amongst its members for a term of one year.
- 3.2. The Board of the Fund is responsible for its governance. The Board shall consider all major decisions regarding the Fund's policy and operations. It shall ensure that adequate control is maintained of the Fund's accounts and use of assets.
- 3.3. Meetings of the Board shall be held as often as deemed necessary and generally at least once a month. Meetings shall be called, with an agenda, with at least two days' notice. A meeting is valid if convened in this manner and attended by at least six members or their alternates. A meeting convened on a shorter notice is valid if attended by all

members or their alternates. Decisions of the Board shall be taken with the approval of at least four members. However, a motion shall be regarded as rejected in the event of an equality of votes. The proceedings of meetings of the Board shall be recorded in minutes to be signed by all attending members.

Article 4

- 4.1. The Board of Directors shall appoint a Managing Director for the Fund. The Managing Director will hire the Fund's other staff and decide on its administrative structure, and negotiate with those parties entrusted with carrying out tasks for the Fund in accordance with the policy and instructions set by the Board of the Fund.

Article 5

- 5.1. The Managing Director, acting for the Board, is responsible for the day-to-day operation of the Fund, following the policy and instructions set by the Board. Any major or extraordinary measures may only be taken by the Managing Director pursuant to an authorisation from the Board.
- 5.2. The Managing Director may not, except with the consent of the Board, serve on the board of directors of business enterprises or otherwise participate in business operations. Ownership of shares in a business enterprise is deemed to constitute participation in business operations except in the case of an insubstantial holding conferring no direct influence on its management.

Article 6

- 6.1. Members of the Board and the Managing Director must be of legal majority, be competent to manage their own finances, have an unblemished reputation and may not, during the last ten years, have been convicted of any offence punishable under the General Penal Code or statutory law on limited liability companies, private limited liability companies, accounting practices, annual accounts, bankruptcy or governmental taxes. The members of the Board shall reside in Iceland or in other countries within the European Economic Area.
- 6.2. The eligibility of the Board of Directors, the Managing Director and other staff of the Fund to consider and deal with matters shall be subject to rules substantially similar to the provisions of Chapter II of the Administrative Procedures Act No. 37/1993.
- 6.3. The Board of Directors, the Managing Director, auditors and other staff of the Fund are subject to confidentiality concerning any information which may come to their knowledge in the course of the performance of their duties and which is confidential by law or by nature. The obligation of confidentiality remains after cessation of employment.
- 6.4. The members of the Board and the Managing Director shall not serve on the board of directors of any enterprises on behalf of the Fund. The members of the Board and the Managing Director are also prohibited from serving on the board of directors of enterprises in which the Fund holds an ownership interest. However, employees of the Fund are permitted to serve on the board of directors, investment board and advisory board of enterprises established to attend to specific aspects of the Fund's activities or

enterprises in which the Fund holds an interest which only provide custody and fiscal agency services.

Article 7

- 7.1. The Board of the Fund will appoint a working committee charged with addressing any issues that may arise concerning reference wages for pension benefits pursuant to Articles 58, 59 and 77. In circumstances where the Board is required to decide the reference wages for determining pension contributions, pursuant to Article 24.2, and for determining benefit payouts, pursuant to Article 58.2 or Article 81.1 hereof, the Board may ask the working committee to present it with recommendations on appropriate reference wages.
- 7.2. The working committee shall be composed of seven members. Two are to be nominated by the Minister of Finance's representatives on the Board, one by the representative of the Federation of State and Municipal Employees, one by the representative of the Confederation of University Graduates, one by the representative of the Teachers' Association of Iceland and one by the board of directors of the Icelandic Nurses' Association. The Managing Director of the Fund, or an employee nominated by the Managing Director, shall also serve on the committee.
- 7.3. Meetings of the committee shall be held regularly and recorded in minutes. Minutes of meetings of the working committee shall be submitted to the Board for approval.

Article 8

- 8.1. The Fund shall maintain an audit department or independent monitoring body responsible for conducting internal audits. The Board of the Fund shall appoint a person to head the audit department or commission an independent monitoring body.
- 8.2. The independent monitoring body may be a certified public accountant or other party approved by the Icelandic Financial Supervisory Authority.
- 8.3. Internal audits shall be an integral part of the Fund's organisational and monitoring systems.

Article 9

- 9.1. The responsibilities of the audit department or monitoring body of the Fund, as referred to in the first paragraph of Article 34 of Act No. 129/1997, shall include the following:
 - a. ascertain that the recording of contributions and future benefits is carried out as provided for by law and the fund's Articles of Association;
 - b. ascertain that the calculation of future benefits is carried out as provided for by law and the fund's Articles of Association;
 - c. make proposals to the Board on the organisation of internal audits and carry out special assessments of the effectiveness of internal control;
 - d. ensure that in all transactions involving the assets of the Fund, consideration for those assets is paid within reasonable time limits;
 - e. check that the investment policy is complied with and the return on investments is reasonable;

- f. ascertain that contributions and other disposable assets of Fund are used as provided for by law and the Fund's Articles of Association.

Disclosure requirements and communication with Fund members

Article 10

- 10.1. Each year, the Board of the Fund shall prepare a report detailing the principal aspects of the Fund's activities, the assets and liabilities of the Fund and the employers who make contributions to it, and Fund members' rights. The annual report shall contain the Fund's annual accounts, any actuarial valuations carried out in respect of the Fund and the Fund's investment policy.

Article 11

- 11.1. The Board of the Fund shall convene an annual meeting before the end of June each year. The meeting shall be advertised in a daily newspaper, radio or by other verifiable means with at least 14 days' notice. All Fund members and employer representatives have the right to attend annual meetings and to speak and make proposals. At the annual meeting a presentation shall be made, as applicable, of the report of the Board of Directors, annual accounts, actuarial valuations, investment policy, decision on compensation for Board members and amendments to the Articles of Association other than those resulting from mandatory provisions of laws or regulations.
- 11.2. The Board may convene an extraordinary annual meeting if it considers such to be necessary. The provisions of Article 11.1 shall apply to extraordinary annual meetings as applicable.

Article 12

- 12.1. At least twice a year, the Fund shall send statements to members of Department A and members of Personal Pension Departments detailing contributions together with information on accrued benefits and, where possible, expected future benefits. At least once a year, a similar statement shall be sent paying members of Department B. Such statements shall be accompanied by a reminder for Fund members to promptly notify the Fund if any contributions appear to be unaccounted for. The Fund may deliver statements electronically if requested by Fund members.
- 12.2. The Fund shall also inform members of their rights on the Fund website and present to them the Fund's Articles of Association, its investment policy and any other matters relevant to members' rights, the preservation and assurance of those rights and the Fund's financial position.

SECTION II

Membership

General

Article 13

- 13.1. Members of the Government Employees' Pension Fund are those individuals who pay contributions to the Fund, who receive retirement or disability benefits from the Fund and those individuals who through payments of contributions have acquired rights

towards the Fund although they no longer pay contributions and have not begun receiving benefits from the Fund.

Department A

Article 14

- 14.1. Membership of Department A is subject to the following requirements:
- a. Members of Department A are those government workers who have attained the age of 16 years and receive pay under collective bargaining agreements on the basis of Act No. 94/1986 on the Collective Agreements of Government Workers, on the basis of wage decisions made pursuant to the Statutory Compensation Board Act, or pursuant to the Act on the Right and Obligations of Government Employees. Nonetheless, it shall be permitted to agree in a collective bargaining agreement that certain groups of government workers who meet these conditions shall contribute to other pension funds. The provision of the first sentence also applies to the President of Iceland, cabinet ministers and members of parliament.
 - b. Members of the Teachers' Association of Iceland shall be entitled to membership of Department A of the Fund unless otherwise expressly provided in a collective bargaining agreement.
 - c. Those who were members of the Fund at the end of May 2017 and are employed with primary schools at tasks other than teaching and administrative supervision and those who were employed in school offices are entitled to remain in Department A so long as they are employed in such work.
 - d. Nurses who are engaged in nursing work for municipalities or at public institutions or healthcare institutions shall be entitled to membership of Department A of the Fund unless otherwise expressly provided.
 - e. Nurses who had mandatory membership of the Nurses' Pension Fund at year-end 1996 are entitled to membership of Department A of the Fund, should they so request, while they are employed in positions which would have granted mandatory membership of the Nurses' Pension Fund
- 14.2. Optional membership with the employer's consent:
- a. Members of unions falling under the Federation of State and Municipal Employees, the Confederation of University Graduates or the Teachers' Association of Iceland, are entitled to membership of Department A. Members of unions which do not fall under the above union federations but which conclude collective bargaining agreements on the basis of Act No. 94/1986 on the Collective Agreements of Government Workers are also entitled to membership of Department A.
 - b. Government and government agency workers, who are not members of any union but still receive pay determined on the basis of the collective agreements of government workers or on the basis of wage decisions made under the Statutory Compensation Board Act, are entitled to membership of Department A.
 - c. Employees of municipalities and municipal agencies and employees of agencies jointly owned by the state and municipalities, who due to the nature of their work are not members of any union but still receive pay determined on the basis of the collective agreements of government workers or decisions of the Statutory

Compensation Board, are entitled to membership of Department A.

- 14.3. Optional membership subject to the consent of the Board and the employer.
 - a. In addition to the workers mentioned above, the Board of the Fund may in special cases grant Department A membership to those who do not have the option of being in a union or are not in a union due the nature of their work. This authority shall primarily be used in respect of an employer who pays contributions to the Fund for a significant portion of its workers.
- 14.4. Others
 - a. An individual who has been granted continued membership of the Government Employees' Pension Fund due to the elimination of a position or occupation, see Article 16.1.e, shall be entitled to contribute to Department A, provided that he will then no longer be entitled to contribute to Department B from pay received for that same work.
 - b. Those who were granted membership of Department A before 7 July 2005 without meeting the above membership requirements shall keep their membership for so long as they are employed with the same contributing employer.
 - c. Fund members who lose employment in respect of which contributions to Department A have been made, entitling them to unemployment benefits, are entitled to have contributions paid out of those unemployment benefits to Department A, provided that they account to Department A for the difference at any time between the contribution paid by the Unemployment Insurance Fund and the contribution which would have been due from the employer under Article 20.2. A Fund member who fails to pay such difference within four weeks from the time that the contribution is due forfeits his right to contribute to Department A out of his unemployment benefits, in which case the Fund will reimburse the Unemployment Insurance Fund for contributions already made or transfer them to another pension fund, as applicable.

Department B

Article 15

- 15.1. Contributions paid in respect of all Fund members to the end of 1996 shall be kept in Department B of the Fund, which shall hold all liabilities relating to benefits accrued by such contributions. The rights of Fund members in Department B, who chose membership of Department A prior to 1 January 1997, shall be subject to rules governing rights held in Department B.

Article 16

- 16.1. Membership of Department B from 1 January 1997 is open, as further described herein, to those workers who are appointed, engaged or hired for a period of not less than one year or hired with not less than a three month notice period on at least a half-time basis, provided that contributions have been paid to the Department without interruption from that time:
 - a. Fund members who contributed to the Fund or accrued benefits without payment of a contribution at year-end 1996 shall be entitled to membership of Department B of the Fund while employed by the government. This right also extends to Fund

- members who were members of the Fund at year-end 1996 through other employment and subsequently hired by the government, subject to Article 18.2.
- b. Primary school teachers and administrators who were employed at year-end 1996 are entitled to Department B membership for so long as they are employed at primary schools operated by municipalities.
 - c. Those who are employed with primary schools at tasks other than teaching and administrative supervision, those who are employed in school offices and with the Reykjavík Hospital and were members of the Fund pursuant to temporary provisions of Act No. 156/1995 and Act No. 141/1996, shall be entitled to membership of Department B while employed in those posts.
 - d. Employers who had been permitted prior to year-end 1996 to contribute to the Fund in respect of their workers are entitled to contribute to Department B for those same workers. This authority also extends to those workers who were members of the Fund at year-end 1996 through other employment and were subsequently hired by such employers, subject to Article 18.2. If a Fund member stopped paying a contribution prior to the end of 1996 but continued to accrue benefits without paying a contribution through his employment with an employer referred to in this paragraph, that Fund member shall keep the same right for the accrual of benefits with Department B.
 - e. In the event that the position or occupation of a Fund member is terminated, he shall be entitled to remain a member of the Fund and pay a contribution to Department B equal to the total contribution due from that Fund member at any time pursuant to Article 24.3.
 - f. Nurses who were members of the Nurses' Pension Fund at year-end 2017 shall be entitled to membership of Department B so long as they remain employed by employers referred to subparagraph (g). Notwithstanding the provision of Article 16.1, nurses who paid contributions on less than 50% employment in the year 2017 shall maintain their right to membership of Department B so long as they remain employed by employers referred to in subparagraph (g).
 - g. Employers who were authorised before the end of 2017 to pay contributions to the Nurses' Pension Fund for nurses shall continue to have the same authorisation to pay a contribution to Department B of the Government Employees' Pension Fund for those nurses who were contributing members of the Nurses' Pension Fund at year-end 2017.
- 16.2. Former employees of the Local Authorities' Loan Fund who were members of Department B on 1 January 2005 and employed in positions transferred to the Association of Local Authorities, and who will continue in their positions, shall be entitled to continued membership of Department B while employed in positions meeting the general requirements for membership of the Fund.
- 16.3. With the consent of the Minister of Finance, the Board of the Fund may permit a Fund member, who is granted leave without pay to work for an international organisation of which Iceland is a member pursuant to law or an international treaty, to continue to contribute to Department B during his period of employment with the respective international organisation, provided that he was a member of Department B when commencing his work abroad and has not accrued pension benefits with the respective

international organisation. The Board of the Fund shall decide on a reference salary for such work with reference to the sixth paragraph of Article 23 of Act No. 1/1997.

Membership by virtue of the termination of a position

Article 17

- 17.1. If a Fund member who has been granted membership of the Fund pursuant to Article 16.1.e fails to contribute for a period of three months or more, he shall be deemed to have forfeited his right to continued membership of the Fund. However, the right to membership shall generally be re-established if the Fund member resumes payment of a contribution no later than 12 months from the time that contribution ceased. Once contribution ceases, the contribution period shall be shortened accordingly.
- 17.2. A person who is a member of the Fund by virtue of Article 16.1.e may request in writing to be allowed to pay a contribution based on a lower proportion of employment than he had in the position held at the time when membership was granted. However, the proportion of employment shall never be less than half-time. A member who has been granted such permission shall generally be entitled to resume paying a contribution based on the proportion of employment he had in the terminated position, although not retroactively.
- 17.3. If a Fund member, whose membership is based on Article 16.1.e, commences work granting membership of the Fund, the right to membership on the basis of the termination of a position shall expire. If a Fund member leaves his new employment within two years, he may resume paying a contribution to the Fund in respect of the terminated position.

Article 18

- 18.1. A member of Department B may only begin contributing to Department A if he changes his employment, provided that his new position meets the requirements for membership of the Fund, or if he has failed to contribute for other reasons for a period of 12 months or more.
- 18.2. If a contribution is not paid in respect of a Fund member to Department B after year-end 1996, his right to contribute to the Department shall lapse as of that time provided the following does not apply:
 - a. The formal employment relationship between the Fund member and his employer has not been terminated.
 - b. The Fund member begins work granting membership of the Department pursuant to Article 16 no later than 12 months from the time that contribution ceases.

SECTION III

Contribution to Department A

Article 19

- 19.1. A Fund member shall pay 4% of the contribution base, see Article 21, as a contribution to Department A from the time that he is granted membership of the Department until he ceases work requiring him to pay a contribution, ceases to pay a contribution in respect of work entitling him to membership of the Fund, an employer whose consent

is required for membership of the Department ceases to contribute, or to the end of the month in which he attains the age of 70 years. Employers shall withhold workers' contributions from their salaries and remit to the Fund each month. The due date of monthly contributions is the 10th of the following month. In the event that a contribution is not paid in that month, default interest shall be charged on the overdue contribution from the due date to the date of payment pursuant to provisions of the Interest Act as current at such time.

Article 20

- 20.1. The contribution payable by an employer to Department A shall be determined from the same contribution base as the contribution due from the Fund member and for the same period, and it shall be payable to the Fund at the same time.
- 20.2. Contributions paid by employers to Department A shall at minimum be 11.5% of the contribution base. Fund members may allocate up to 3.5% of the employer contribution to a Specified Personal Pension Department, see Section XII hereof.

Article 21

- 21.1. The contribution base for Department A shall be calculated from the total amount of wages and compensation paid for any type of work, employment and service relating to a position granting membership of the Fund. The contribution base shall be comprised of all types of wages or compensation for work which is taxable pursuant to Article 7(A)(1)(1) of Act No. 90/2003 on Income Tax. The contribution base shall not, however, include benefits paid in kind, such as clothing, food or accommodation, or payments which are intended to cover expenses paid, e.g. vehicle allowances, per diem and food allowances.
- 21.2. A contribution for minimum insurance coverage is the contribution necessary to bear the cost of the minimum insurance coverage that the Fund is required to provide under Article 4 of Act No. 129/1997 for the payment of a minimum contribution to a pension fund according to Article 2 of the same Act. The calculation of a minimum insurance coverage is based on a 40-year contribution period and the assumption that contributions begin at the age of 25.

SECTION IV

Contribution to Department B

Article 22

- 22.1. A Fund member shall pay 4% of the contribution base, see Article 24, as a contribution to Department B from the time that he is granted membership of the Department. The payment of a contribution shall cease when:
 - a. the Fund Member leaves employment granting membership of the Department, begins contributing to Department A or ceases membership of Department B for other reasons;
 - b. the Fund member has contributed to Department B, including an earlier period of contributions to the Government Employees' Pension Fund, for a total of 32 years.

A Fund member who has been working part-time may contribute to the Fund until total contributions reach an amount equivalent to contributions for full-time work for 32 years;

- c. the Fund member begins collecting retirement benefits, see Article 60.a;
 - d. when the sum of a Fund member's age and the period of contributions has reached 95 years, in cases where the Fund member has chosen to collect retirement benefits on the basis of the 95 year rule, see Article 60.b.
- 22.2. The employer shall withhold the contribution from the pay of the Fund member and remit to the Fund within two weeks from payday.
- 22.3. A Fund member who has received the Board's approval for continued membership of the Fund pursuant to Article 16.1.e is personally responsible for the remittance of the full amount of contributions to the Fund.

Article 23

- 23.1. Employers' contribution to Department B shall be 8% of the same contribution base as that used to determine the contribution due from Fund members, and shall be paid to the Fund at the same time. However, an employer shall pay 12% of the contribution base in respect of Fund members who have ceased to contribute to the Fund under Article 22.1.b or 22.1.d.
- 23.2. In addition to the contribution prescribed in Article 23.1, municipalities shall pay an additional contribution, equivalent to 7.5% of the same base, in respect of primary school teachers and administrators who have accrued pension rights in the Department. This additional contribution shall be separately accounted for and used as prescribed in Article 92.

Article 24

- 24.1. The base for determining contributions due to Department B shall be the fixed wages for daytime work, personal supplements and vacation supplements associated with the relevant Fund member's occupation at any time according to collective bargaining agreements or wage decisions made under Act No. 94/1986 on Collective Agreements of Government Workers and the Statutory Compensation Board Act No. 47/2006.
- 24.2. In the event that a Fund member does not collect wages pursuant to collective bargaining agreements or wage decisions in accordance with the aforesaid, the contribution shall be paid from a reference salary determined by the Board of the Fund. The reference salary shall reflect the wages paid for daytime work in equivalent occupations according to the aforementioned collective bargaining agreements or decisions of the Statutory Compensation Board.
- 24.3. The base for determining contributions due from those granted continued membership of the Fund due to the termination of a position or occupation pursuant to Article 16.1.e shall be the salary collected by the relevant worker at the time of the termination or cessation of severance pay, as applicable. Subsequently, this base shall be adjusted in accordance with the average change in the daytime wages of government workers, see Article 75.
- 24.4. Membership by virtue of the termination of an occupation does not become effective until salary or severance payments for the terminated occupation cease or decrease. If

a Fund member collects severance pay corresponding to the difference between the wages received for the terminated position and the wages received for the new position, membership by virtue of the termination of an occupation shall be deemed to begin at the time of the first severance payment. The Fund member concerned must account to the Fund for the difference between the contribution paid by his former employer from the severance pay and the total contribution due.

- 24.5. In circumstances where a shift worker is allowed continued membership of the Fund due to the termination of a position or occupation pursuant to Article 16.1.e, the contribution due in respect of the shift premium shall be determined based on the average accrual of benefits on account of a shift premium during the three years preceding the termination of the position. In the event that the Fund member was not engaged in shift work for a full three years prior to the termination of the position, the contribution due shall be determined on the basis of the average accrual of benefits over the period during which he was employed as a shift worker in the preceding three years. Subsequently, the contribution due in respect of the shift premium shall be adjusted in accordance with the average change in the fixed wages of government workers for daytime work.
- 24.6. For shift workers, i.e. Fund members with working hours that vary according to a regular schedule and who are entitled to a special supplementary pension, the shift premium shall serve as the contribution base. The same applies to night watchmen and other staff with working hours only at night, i.e. during the hours from 10.00 p.m. to 9.00 a.m., in which case the pay premium shall serve as the contribution base. Contributions referred to in this paragraph shall be held separate from other contributions from Fund members.

SECTION V

Finances

Investment of assets

Article 25

- 25.1. The Board of the Fund shall formulate an investment policy and invest the Fund's resources in accordance with the rules and within the limits prescribed in Chapter VII of Act No. 129/1997 on Mandatory Pension Savings and the Activities of Pension Funds, as amended. The Board may formulate a separate investment policy for each Department of the Fund. The Fund's investment policy shall comply with Chapter VII of Act No. 129/1997 on Mandatory Pension Savings and the Activities of Pension Funds, as amended.

Article 26

- 26.1. The Fund's investment policy shall be based on a type classification of deposits and securities as prescribed in Chapter VII of Act No. 129/1997, as amended. In addition, each type of deposit and security shall be further broken down based on currency risk and the size of individual depositors or issuers of securities.
- 26.2. The Fund shall deliver details of its investment policy for the relevant year to the Icelandic Financial Supervisory Authority by 1 December each year.

Article 27

- 27.1. The Board of the Fund shall establish rules regarding purchases of bonds secured by real estate, including rules governing loans to Fund members.
- 27.2. The Fund may not make loans to directors, their alternates, staff of the Fund, those persons carrying out actuarial assessments of the financial situation of the Fund, or the spouses of these parties, unless they are members of the Fund, in which case such loans must comply with the general rules governing loans to Fund members.

Annual accounts and auditing

Article 28

- 28.1. The fiscal year of the Fund shall be the calendar year. The Board and Managing Director of the Fund shall prepare annual accounts for each fiscal year, as required by the provisions of Chapter VIII of Act No. 129/1997 on Mandatory Pension Savings and the Activities of Pension Funds. The annual accounts shall comprise a balance sheet, cash flow statement, statement of changes in net assets held for the payment of benefits, statement of the actuarial position of defined benefits departments, report of the Board and notes. The annual accounts shall be prepared in compliance with law, regulations and established accounting rules, as applicable, and give a fair and true view of net assets held for the payment of benefits, financial position and changes in cash on hand.
- 28.2. The annual report of the Board shall include a summary of the activities of the Fund during the year, together with information on matters relevant to an assessment of the Fund's financial position and changes in net assets held for the payment of benefits which are not presented elsewhere in the annual accounts.
- 28.3. The Fund's investment policy shall accompany the annual accounts. A summary detailing the preceding year's return on asset portfolios shall also accompany the annual accounts.
- 28.4. The annual accounts shall be signed by each member of the Board and the Managing Director. If any of them has any reservation about the accounts, they shall note these next to their signatures.

Article 29

- 29.1. The accounts of the Fund shall be audited by the National Audit Office. The audit shall be completed no later than four months after the end of the fiscal year.
- 29.2. The auditing of pension funds is subject to the provisions of Chapter VII of the Annual Accounts Act, as applicable.
- 29.3. If an auditor becomes aware of material shortcomings in the operation of the Fund, or in aspects of its internal control, collection of contributions, security for disbursement of loans granted, handling of financial resources, or other matters which could weaken the financial position of the Fund, and if the auditor has reason to believe that laws, regulations or rules applicable to its activities have been violated, the auditor shall immediately inform the Board of Directors and the Icelandic Financial Supervisory Authority.

- 29.4. The Auditor General is entitled to attend meetings of the Board at which the annual accounts are considered.

Article 30

- 30.1. The audited annual accounts of the Fund, together with the report of the Board of Directors, shall be forwarded to the Financial Supervisory Authority immediately upon their signing and no later than four months after the end of the fiscal year. Highlights from the annual accounts shall be made public and be accessible to Fund members at the offices of the Fund.

Actuarial valuation

Article 31

- 31.1. Each year the Board of the Fund shall commission an actuarial valuation of its financial position in accordance with Chapter IV of Regulation No. 391/1998 on Mandatory Pension Savings and the Activities of Pension Funds.
- 31.2. The valuation shall be carried out in accordance with the provisions of Regulation No. 391/1998 on General Actuarial Assumptions, e.g. regarding the risk of mortality and the required rate of return to be used in discounting future contributions, and the expected benefits to be paid by the Fund. A valuation pursuant to Article 31.1 shall be performed by an actuary or other person approved by the Financial Supervisory Authority for such purposes, see the Act on Insurance Activities.
- 31.3. Actuarial valuations performed as described in this Article shall be forwarded to the Financial Supervisory Authority prior to 15 May each year.

Article 32

- 32.1. An actuarial valuation of the finances and liabilities of Department A shall comprise, on one hand, a calculation of the Department's overall position and, on the other hand, a specific calculation of the future liabilities related to those entitled to a fixed accrual of benefits, see Article 51, and the position of the pension supplement fund. A specific calculation shall also be performed of the liabilities related to those who have begun to collect benefits prior to 1 June 2017 and those who are 60 years of age or older at the same point in time, even if they have not begun collecting benefits.
- 32.2. The net assets of Department A held for the payment of benefits plus the present value of future contributions shall be equal to the present value of expected future entitlements arising from contributions already paid and future contributions. The estimate of future contributions and future benefits shall be based on the Fund members at the time of reference used in the actuarial valuation.
- 32.3. If an actuarial valuation carried out in respect of Department A reveals that the difference between assets and pension liabilities is greater than the limit prescribed in the second paragraph of Article 39 of Act No. 129/1997, the Board is required, in consultation with the Fund's actuary, to make the necessary amendments to the Fund's Articles of Association. The Board may also, after consulting the Fund's actuary and based on accepted actuarial assumptions, make changes to benefits already accrued by Fund members, even if the difference between assets and liabilities is less than that specified in the said statutory provision. However, the Fund balance, i.e. the

difference between assets and liabilities according to an actuarial valuation, shall always be net positive following such increases in benefits, both in terms of accrued and total benefits. The changes shall be presented at the Fund's Annual Meeting and recorded in an Annex to the Articles of Association.

- 32.4. If it emerges, in light of the actuarial position of Department A, that it is appropriate to reduce or increase rights, see Article 32.3, such changes shall in any event not apply to those who have rights in Department A and had attained the age of 60 prior to 1 June 2017, or those who had begun collecting benefits at the same date. The principal of the provision fund shall not be used for such purpose; instead, the financial consequences shall be settled annually with an agreement between Department A and the State Treasury, see Temporary Provision XII of Act No. 1/1997.
- 32.5. The provision of Article 32.4 shall also apply to beneficiaries of disability, spouse's and child benefits who began collecting benefits prior to 1 June 2017.

Article 33

- 33.1. As part of an actuarial valuation of the finances and liabilities of Department B, an estimate shall also be made of the amount which employers will repay to the Fund in the future in respect of increases in previously set benefits, see Article 89, and in the guarantee provided by the State Treasury, see Article 88.

SECTION VI

Accrual of Benefits in Department A

Basis of benefits

Article 34

- 34.1. By paying contributions, Fund members will accrue rights to retirement and disability benefits, as well as spouse's and child benefits for their spouses and children, as further set forth in this Section and the Fund's tables of accrual I to III, which are presented in an Annex to these Articles of Association and form an integral part thereof.
- 34.2. Table I covers the annual pension benefit from the age of 67 for each contribution of ISK 10,000. Table II covers the decrease in retirement benefits where the collection of benefits begins prior to the age of 67 or the increase after the age of 67. Table III only applies to Fund members who have fixed accrual entitlements as referred to in Article 52.3. The sum total of a Fund member's entitlements each calendar year forms the basis of his entitlement.
- 34.3. Benefits accrue based on the relevant Fund member's age at the end of the salary month in respect of which a contribution was paid to the Fund in accordance with Table I in the Annex. The entitlements are indexed to inflation and adjusted based on changes in the consumer price index. Benefits are defined in Articles 35 to 50, subject, however, to the provisions of these Articles regarding a continued fixed accrual of benefits.
- 34.4. Accrued benefits shall be maintained in accordance with the applicable rules at any time so that benefit payouts correspond to the rights accumulated in each accrual

period. Extrapolation shall be carried out in accordance with the rules applicable at the time when the right to a pension becomes effective. The sum total of benefits is equal to the sum total of accrued benefits and extrapolated benefits, where applicable.

- 34.5. When the Board of the Fund decides to increase benefits, such increase shall be kept separate from other benefits. An increase in benefits is not taken into account in extrapolation but is fully included in accrued benefits. In the event that the Board decides to decrease benefits accrued by Fund members, such reduction shall be treated in the same way as an increase in benefits except that the amount of the reduction shall be deducted from accrued benefits. A change in benefits pursuant to the above shall be entered in the Fund's entitlement records as of the last month of a period covered by an actuarial valuation pursuant to Article 31 hereof. An increase or decrease in benefit payouts may first be put into effect as of the month following the Ministry of Finance's confirmation of such changes.
- 34.6. Benefits accrued by Fund members in respect of contributions paid until 1 June 2017 shall be maintained according to the rules then in force, subject, however, to Article 32.3. They shall be converted into króna amounts based on the index used for determining the base salaries that were in place at the time when the contributions were recorded. The entitlements will continue to be indexed to inflation and adjusted based on changes in the consumer price index.

Retirement benefit

Article 35

- 35.1. Fund members aged 60 to 80 who have accrued benefits in the Fund pursuant to Article 34 are entitled to lifelong retirement benefits. Fund members who begin collecting retirement benefits at the age of 67 will receive payouts according to Table I.
- 35.2. If a Fund member begins collecting a retirement benefit after the age of 67, the amount of the benefit according to Table I will increase as shown in Table II for each month that passes from the age of 67 until the collection of benefits begins. A Fund member may thus defer the collection of a retirement benefit up to the age of 80 in exchange for a permanent increase in the monthly retirement payout. The increase in retirement benefits shall be such that the value of the retirement benefits to the end of the Fund member's life is the same as for those who begin collecting benefits at the age of 67 based on the Fund's actuarial assumptions.
- 35.3. If a Fund member begins collecting a retirement benefit before the age of 67, the amount of the benefit according to Table I will decrease as shown in Table II for each month short of the age of 67 when the collection of benefits begins. The decrease in retirement benefits shall be such that the value of the retirement benefits to the end of the Fund member's life is the same as for those who begin collecting benefits at the age of 67 based on the Fund's actuarial assumptions.
- 35.4. In the event that a Fund member continues to accrue benefits after the collection of retirement benefits begins, such benefits shall be determined in accordance with Table I. Once a Fund member reaches the age of 70, his retirement benefits shall be

reassessed by taking into account benefits accrued after the collection of benefits began. If a Fund member is collecting a 50% payout at the age of 70, see Article 35.6, such benefits shall be added once the Fund member begins collecting a full benefit.

- 35.5. If a Fund member begins collecting a retirement benefit before the age of 67, this decision is final. The right to a disability benefit will therefore be extinguished as of the time that the collection of a retirement benefit begins.
- 35.6. A Fund member who has not begun collecting a retirement benefit from the Fund may decide to begin collecting a 50% retirement benefit at any time after attaining the age of 60, in which case he will be deemed to have made a final decision on the collection of that portion of his accrued retirement benefits as provided for in Article 35.5. The provision of Article 35.3 shall apply to the portion which the Fund member decides to begin collecting prior to the age of 67. The provision of Article 35.2 shall apply to the deferred portion after the Fund member attains the age of 67.

Police officers

Article 36

- 36.1. A police officer who is relieved of duty at the age of 65 shall receive retirement benefits pursuant to Article 35, as applicable, with the exception that the benefits shall be calculated as if he had worked to the age of 70.
- 36.2. The calculation of additional benefits to the age of 70 for an active member of Department A pursuant to this Article shall be based on the average benefits accrual for police work during the three full years preceding the collection of benefits.
- 36.3. The provision of Article 35.2 regarding an increased payout due to the deferral of the collection of retirement benefits does not apply to those collecting retirement benefits pursuant to Article 36.1.
- 36.4. A police officer who is entitled to a fixed accrual of benefits pursuant to Article 51 is also entitled to the calculation of benefits pursuant to Article 53.5.

Disability benefit

Article 37

- 37.1. A Fund member who has not attained the age of 67 and suffers a permanent disability assessed at 40% or more is entitled to a disability benefit from the Fund in accordance with benefits accrued pursuant to Article 35, provided that he has contributed to a pension fund for at least two years.
- 37.2. The right to disability benefits is only established if the Fund member has suffered a loss of income as a result of the disability. The aggregate of a disability benefit and a child benefit according to Article 48 shall never exceed the loss of income demonstrably suffered by the Fund Member as a result of the disability.
- 37.3. In order to determine whether the disability has resulted in a loss of income, a reference income shall be set for the relevant Fund member equal to his average income for the three calendar years preceding the loss of ability, see Article 39 on extrapolated calculation. If the Board deems this three year average to be unfavourable for the Fund member because of special circumstances, it may calculate the average income level based on a greater number of preceding years and exclude from the calculation the least favourable year.

- 37.4. Once determined, the reference income level shall be adjusted in accordance with changes in the wage index.
- 37.5. In calculating loss of income, account shall be taken of the disability beneficiary's employment income, pensions and other benefits received from Social Security and other pension funds and benefits received under collective bargaining agreements as a result of the impairment.
- 37.6. The percentage and timing of a disability shall be determined by the Fund's physician based on the applicant's medical history and previous capacity for work. For the first five years following the onset of the disability, the assessment shall be based mainly on the Fund member's impaired ability to perform the work in which he was employed and granted him membership of the Fund. Subsequently, the disability percentage shall be reassessed based on the Fund member's impaired ability to perform general work.
- 37.7. The condition may be imposed, based on the opinion of the Fund's physician, that disability benefits will only be paid if the Fund member agrees to undergo rehabilitation that could improve his health.

Article 38

- 38.1. Once the requirements of Article 37 are met, the maximum disability benefits will be based on the benefits accrued pursuant to Article 35. If the following conditions are fulfilled, the benefits shall be extrapolated to the age of 65 in accordance with Article 39:
 - a. the Fund member has contributed to the Fund in at least three of the preceding four calendar years, and at least ISK 114,906 each of three years;
 - b. the Fund member has contributed to the Fund for at least six of the preceding twelve months;
 - c. the Fund member has not suffered a disability that can be attributed to the abuse of alcohol, pharmaceuticals or illicit drugs.
- 38.2. If a Fund member is also entitled to disability benefits from another pension fund, he shall only be entitled to the extrapolation of benefits in this Fund if it was the last pension fund to which he contributed, subject, however, to the provisions of an agreement with other pension funds.
- 38.3. If the Fund member began contributing to this Fund in the 24 months preceding the loss of ability due to a change in occupation, he shall only be deemed to have accrued benefits if the change in occupation resulted from deteriorating health.
- 38.4. If there are special reasons, such as age or residence or study abroad, for why a Fund member is not able to fulfil the time requirements of Article 38.1.a, the Board of the Fund may shorten the required period to the previous two calendar years, provided it is satisfied that the cause of the disability cannot be traced back to a point in time prior to the occurrence of the loss of ability.
- 38.5. In the event that a Fund member's right to extrapolation lapses as a result of a temporary absence from the labour market owing to work abroad, study, leave of absence, maternity/paternity leave or similar reasons, the right to extrapolation shall be re-established six months from the time that the Fund member resumes work and payment of contributions.

Article 39

- 39.1. If a Fund member is entitled to the extrapolation of benefits pursuant to Article 38, the extrapolated benefits shall be based on the average amount of benefits accrued in the three calendar years prior to the loss of ability. If the Board deems this three year average to be unfavourable for the Fund member because of absence due to sickness or unemployment, it may calculate the average benefits based on a greater number of preceding years and exclude from the calculation the least favourable year.
- 39.2. If the Fund member suffered a partial disability before he began contributing to the Fund and his impairment may be assessed at 50% or more, an average of his benefits shall be calculated for every year he has contributed to the Fund. In such instances, the extrapolation shall be based on such an average.

Article 40

- 40.1. If a Fund member's contributions to the Fund have been so irregular that they have ceased or been less than ISK 114,906 a year for more than one calendar year following the end of the year in which the Fund member attained the age of 25, and it is considered likely that ill health, the use of alcohol, pharmaceuticals or illicit drugs played a role in the irregularity of contributions, the period of extrapolation shall be shortened based on the proportion between the number of calendar years in which contributions have been less than ISK 114,906 a year and the number of calendar years from the age of 25 to the time of loss of ability. The same applies if irregular contributions are the result of an attempt to avoid payment of mandatory pension contributions.
- 40.2. If the average contribution on which an extrapolation pursuant to Article 39 is based exceeds ISK 1,378,877, the average shall count for up to ten years, after which, up to the age of 65, the calculation shall be based, instead of the average, on ISK 1,378,877 per year in addition to one-half of the benefits in excess thereof.

Article 41

- 41.1. The disability benefit shall be a percentage of the maximum disability benefit equal to the percentage of assessed disability. A disability benefit will only be paid if the loss of ability and resulting loss of income continues for three months or more.
- 41.2. A Fund member who applies for disability benefits from the Fund or receives such benefits must provide the Board with all information relating to his health and earned income necessary to determine his entitlement to a disability benefit.
- 41.3. The Board shall reduce or eliminate the disability benefits of those members who regain their ability to work in part or in full. It shall also increase the disability benefits if the disability increases significantly from previous assessments, provided the Fund member has not, during the time of such increase, been employed in a post granting pension rights in another pension fund.

Article 42

- 42.1. Disability benefits shall be discontinued once a Fund member reaches the age of 67, or earlier if his capacity for work or income increase so that the requirements of Article 37 are no longer met. Retirement benefits shall then be determined by adding to accrued benefits the benefits extrapolated for that Fund member at the time when he was ruled as being disabled up to the age of 65 on the basis of the disability percentage. However, such addition to previously accrued benefits may not result in total benefits accrued in each calendar year exceeding the level generally associated with the occupation of the Fund member in question.

Spouse's benefit

Article 43

- 43.1. The surviving spouse of a Fund member, who contributed to the Fund for at least 24 of the preceding 36 months or 6 of the preceding 12 months, or received a retirement or disability benefit from the Fund, is entitled to a benefit from Fund according to the rules set out below:
- a. If none of the following applies, a full spouse's benefit shall be paid pursuant to Article 45 for a period of 36 months and half a spouse's benefit for a further 24 months.
 - b. If a Fund member is survived by one or more children under the age of 22 years that he/she had with the surviving spouse, a full spouse's benefit shall be paid until the youngest child attains the age of 22 years, provided it is provided for by the spouse. An adopted child provides the same right as natural children according to this Article.
 - c. If the surviving spouse is a disabled person with a disability assessed at 50% or more, a full spouse's benefit shall be paid as long as the disability remains, provided the spouse is under the age of 67 at the time of the Fund member's death. A spouse's benefit according to this subparagraph shall not be paid longer than to the age of 67.
 - d. If the surviving spouse of a Fund member was born prior to 1 January 1945, a spouse's benefit will be paid for an indefinite period subject to the following limitations: A spouse's benefit pursuant to Article 45 will be decreased by 2% for each year that passes from the spouse's date of birth in the period from 1 January 1925 to 1 January 1930, by 4% for each year that passes from the spouse's date of birth in the period from 1 January 1930 to 1 January 1935, by 6% for each year that passes from the spouse's date of birth in the period from 1 January 1935 to 1 January 1940, and by 8% for each year that passes from the spouse's date of birth in the period from 1 January 1940 to 1 January 1945. If a person entitled to benefits pursuant to this paragraph has a superior right pursuant to subparagraphs (a) or (b), the spouse's benefit shall be determined according to those subparagraphs and subsequently as stated in this subparagraph.

Article 44

- 44.1. In the event that a Fund member is not survived by a spouse, the Board of the Fund may pay a benefit pursuant to Articles 43.1.a to 43.1.c to a person who has

demonstrably taken care of his/her household for a large number of years prior to his/her death.

Article 45

- 45.1. A full spouse's benefit shall be 50% of the Fund member's retirement or disability benefit, whichever is higher at the time of death. If the death of a Fund member also entitles the surviving spouse to benefits from another pension fund, the spouse shall only receive benefits out of this Fund if it was the last pension fund to which a contribution was made, subject, however, to the provisions of an agreement with other pension funds. The benefits accrued by the beneficiary of a spouse's benefit shall be equal to the benefits accrued at the time when the beneficiary was first awarded a spouse's benefit, plus any benefits accruing in respect of:
- a. extrapolated benefits that the Fund member might reasonably have accrued up to the age of 65, calculated in accordance with Article 39;
 - b. an increase or reduction in benefits which may be decided after the collection of a spouse's benefit begins;
 - c. in the event that the deceased Fund member was receiving a disability benefit from the Fund, benefits accrued by the Fund member after being ruled as disabled shall also be added.

Article 46

- 46.1. For the purposes of this Article, a beneficiary shall mean a man or woman who was married to, or lived in unmarried cohabitation with, the deceased Fund member, provided that their joint estate was not dissolved prior to the Fund member's death. Unmarried cohabitation for the purposes of this Article means the cohabitation of a man and woman at a common domicile, who have a child together or where the woman is pregnant, or where the cohabitation has been continuous for at least one year. The same applies to persons of the same gender. The right to a spouse's benefit shall lapse if the spouse remarries or enters cohabitation which may be equated with marriage, but is re-established if the second marriage ends without the right to benefits.

Child benefit

Article 47

- 47.1. In the event of the death of a Fund member who contributed to the Fund in at least 24 of the preceding 36 months or 6 of the preceding 12 months, received retirement or disability benefits at the time of death or acquired a right to extrapolation pursuant to Article 38.1, the Fund member's surviving children and adopted children are entitled to a benefit from the Fund until the age of 22. If the death of the Fund member also entitles the children to a benefit from another pension fund, the payment of benefits from this Fund shall be subject to the condition that the Fund member's most recent contribution was made to this Fund, subject, however, to the provisions of an agreement with other pension funds.
- 47.2. A full child benefit following the death of a Fund member shall be ISK 25,172 for each child in each calendar month. A full child benefit will be paid if annual contributions,

estimated pursuant to Article 43, are at least ISK 229,813. If the estimated contributions are lower, the child benefit paid by the Fund decreases proportionately and is cancelled if annual contributions are less than ISK 114,906.

Article 48

- 48.1. If a Fund member who meets the requirements of Articles 38.1.a and 38.1.b is awarded disability benefits from the Fund on account of a 100% disability, his/her children, who are born prior to the occurrence of the disability or in the twelve months thereafter, as well as any children adopted before the occurrence of the disability, shall have the same right as the children of a deceased Fund member pursuant to Article 47, with the exception that the amount of a full child benefit for each calendar month shall be ISK 18,879 for each child. If the disability pursuant to Article 37 is assessed at less than 100%, the child benefit shall be proportionately lower. The payment of a child benefit owing to the disability of a Fund member will not cease once the Fund member reaches retirement age.
- 48.2. Foster children and stepchildren, whom the Fund member has largely or fully provided for, shall be entitled to a child benefit pursuant to Articles 47 and 48. The payments of benefits by the Fund to such children shall be the same as in the case of natural or adopted children.
- 48.3. A child benefit on account of death is paid to the child while a child benefit on account of disability is paid to the provider of the child up to the age of 18 and to the child thereafter.

General

Article 49

- 49.1. Periods of time when payments of contributions have been demonstrably suspended due to illness or unemployment shall not count when determining whether requirements with respect to the period of contributions have been met.
- 49.2. The króna amounts in this section shall be adjusted at the beginning of each year in line with the change in the CPI from a base level of 438.5 as at December 2016. However, child benefits pursuant to Articles 47 and 48 shall be adjusted monthly.

Article 50

- 50.1. In the event that a Fund member who has moved from Department B to Department A dies or suffers a loss of ability without having contributed in the preceding three calendar years, the extrapolation of benefits in respect of a spouse's or disability benefit shall be based on the last three years during which the relevant Fund members contributed to either Department. The extrapolation of benefits in respect of contributions paid to Department B shall be based on the total salary collected by the Fund member during the period of contributions from which contributions would have been paid according to rules on the payment of contributions to Department A.
- 50.2. The right to an extrapolation of benefits in Department A will not be established if a Fund member is assessed as being disabled within 24 months of moving from Department B to Department A, provided that the cause of the disability was known prior to the transfer.

SECTION VII
Pension Supplement Fund

Fund members entitled to fixed accrual of benefits

Article 51

- 51.1. Fund members who contributed to Department A at any time in the twelve months preceding 1 June 2017 are entitled to a fixed accrual of benefits, see further details in Article 52. However, Fund members who are employed with other employers than state or municipal bodies shall only have this right if their employer paid a special contribution for the Fund member in question in accordance with Article 55.
- 51.2. A Fund member who did not pay a contribution to Department A in the twelve months preceding 1 June 2017, without his/her formal employment relationship with an employer who insures his employees with the Fund having been severed, shall have the same right as those who fall under Article 51.1.
- 51.3. If a Fund member's contributions are discontinued for other reasons than those stated in Article 51.2 for a period of more than twelve months, the Fund member's right under Article 51.1 is permanently cancelled.
- 51.4. Fund members who did not contribute to the Fund in the period from June 2016 to June 2017 shall have the right described in Article 51.1 if they resume contributions to the Fund no later than 31 May 2018.
- 51.5. Members of the Brú pension fund who are entitled to a fixed accrual of benefits in Brú shall be entitled to a fixed accrual of benefits under Article 51.1 in Department A of the Government Employees' Pension Fund if they switch jobs and become members of Department A, provided that they were not between jobs for more than twelve months.
- 51.6. A Fund member shall maintain his/her right under Article 51.1 even if the Fund member switches jobs and begins work for a different employer, provided that he/she is entitled to membership of Department A of the Government Employees' Pension Fund. If the employer in question is not a state or municipality body, it is also a condition that the employer has agreed to pay a special contribution for the Fund member in accordance with Article 55.
- 51.7. A Fund member who has received disability benefits from Department A on the basis of fixed accrual of benefits shall keep the benefits accrued under Article 51.1 for as long as the Fund member is receiving disability benefits and also if the Fund member commences contributions to Department A no later than 12 months after payments of disability benefits cease.
- 51.8. The Fund may extend the period prescribed in Articles 51.3 to 51.5 by twelve months due to the Fund member's studies, illness or paternal/maternity leave.

Entitlements based on pension supplement fund

Article 52

- 52.1. Fund members who are entitled to a fixed accrual under Article 51 shall earn an annual pension entitlement equal to 1.98% of their average salary based on a 15.5%

contribution being paid into Department A. If a Fund member pays less than a 15.5% contribution, the pension entitlement shall be proportionally lower. These entitlements are a lifelong retirement benefit from the age of 67, a disability benefit if applicable up to the age of 67, and 50% of the Fund member's right to a temporary spouse's benefit. The provisions of Article 37 to and including Article 50 shall apply to disability and spouse's benefits.

- 52.2. If a Fund member begins collecting a retirement benefit prior to the age of 67, the amount of the benefit shall be lowered in accordance with Table II for each month short of the age of 67 counting back to the age of 60. If a Fund member defers the collection of a retirement benefit after attaining the age of 67, the amount of the benefit earned by the Fund member at such age shall increase in accordance with Table II for each month of deferral. This Article applies to benefits accrued as of 1 January 2023.
- 52.3. Benefits accrued prior to 1 January 2023 are subject to increases and decreases in accordance with Table III based on the age of 65.
- 52.4. A Fund member who begins collecting a retirement benefit while also contributing to the Fund will earn an annual pension entitlement equal to 0.99% of the Fund member's average salary, without any increase, based on a 15.5% contribution being paid into Department A. If the Fund member pays less than a 15.5% contribution, the pension entitlement shall be proportionally lower.
- 52.5. If a Fund member begins collecting a retirement benefit before the age of 67, this decision is final. The right to a disability benefit will therefore be extinguished as of the time that the collection of a retirement benefit begins.
- 52.6. The accrual of benefits at any given time shall be as prescribed in Articles 52.1 and 52.2, although accrued benefits may be subject to change in accordance with Article 32.3.
- 52.7. However, benefits as prescribed in Article 35 will also be calculated for Fund members entitled to a fixed accrual under Article 51. When the collection of benefit commences, the Fund members shall be entitled to the higher of such benefits.
- 52.8. In cases where a Fund members is entitled to a fixed accrual in Department A and in Brú pension fund under the seventh paragraph of Temporary Provision IX of Act No. 1/1997, then, notwithstanding the provisions of Article 52.7, the benefits accrued in both funds shall be taken into account in determining whether the Fund member's benefits should be calculated according to Article 51 or Article 35.
- 52.9. A Fund member who has not begun collecting a retirement benefit from the Fund may decide to begin collecting a 50% retirement benefit at any time after attaining the age of 60, in which case he will be deemed to have made a final decision on the collection of that portion of his accrued retirement benefits as provided for in Article 52.5. The collection of a 50% retirement benefit shall be governed by the provisions of Article 52.2 in the case of benefits accrued after 1 January 2023 and the provisions of Article 52.3 in the case of benefits accrued after 1 January 2023. The same applies to the deferred portion when a Fund member begins collecting it.

Pension supplement fund

Article 53

- 53.1. The pension supplement fund is the contribution made by the State Treasury to Department A on the basis of Temporary Provision IX of Act No. 1/1997. The fund is intended to cover fixed accrual of benefits by Fund members entitled to such accrual, see Article 51.
- 53.2. The pension supplement fund is included in the net assets of Department A, but details of its position shall be given separately in notes to the annual accounts. The pension supplement fund shall be invested in the same manner as the other assets of Department A, with investment income recognised annually as an increase or decrease of the pension supplement fund.
- 53.3. The pension supplement fund is intended to compensate the Fund for the difference, in the form of a pension supplement, between the accumulated accrued benefits of Fund members pursuant to Article 35 and the accumulated accrual of older benefits pursuant to Article 52. Transfers from the pension supplement fund shall be calculated annually as part of the actuarial assessment of the Fund's finances, and allocated to Department A as further described in Article 53.4. This Article also applies to transfers made from the pension supplement fund in respect of benefits paid out on account of extrapolated pension supplement benefits, see Article 53.5.
- 53.4. To determine transfers from the pension supplement fund to Department A, a change in liability is calculated based on fixed benefits and age-based benefits respectively, with the balance between the two being the contribution made for that year. The calculation shall cover Fund members entitled to benefits pursuant to Article 53.1. The calculation shall show what the contribution to the Fund would need to be to cover age-based accrual of benefits. The contributions paid for the Fund members plus the additional positive contribution from the pension supplement fund should be equal in value to the benefits accrued by those Fund members.
- 53.5. The pension supplement fund shall also make up the difference between extrapolated benefits pursuant to Section VI and the extrapolation resulting from a system of fixed accrual of benefits according to Article 52. If a Fund member entitled to a fixed accrual of benefits is awarded extrapolation under Article 39, a calculation shall be made of the pension supplement needed to make up the difference between extrapolated benefits pursuant to Article 39 and the extrapolation resulting from a system of fixed accrual of benefits. The same rule applies to the extrapolation of a spouse's benefit under Article 45.
- 53.6. It shall be ensured that transfers from the pension supplement fund do not disturb the equality of all Fund members. The Fund's actuary shall submit a written report to the Board of the Fund each year.
- 53.7. No later than by year-end 2021, the Board of the Fund shall commission an actuarial assessment of the performance of, and the assumptions used in, calculations of pension supplements under this Article.

Provision fund

Article 54

- 54.1. The provision fund is the contribution made by the State Treasury on the basis of Temporary Provision X of Act No. 1/1997. The fund is intended to cover pension supplements as a backup to the pension supplement fund if the latter fund's assets are not sufficient for it to perform its function.
- 54.2. An assessment group, composed of three members appointed by the Minister and three members appointed by the Federation of State and Municipal Employees, the Confederation of University Graduates and the Teachers' Association of Iceland, will have the role of reviewing the actuarial position and determining whether the conditions for transfers from the provision fund have been met. If the assessment group is not able to come to a conclusion on the use of the provision fund, the members shall jointly select a referee who will become a member of the assessment group.
- 54.3. An assessment shall be made of the position of the pension supplement fund:
- 54.4. If the actuarial position of the pension supplement fund according to an annual assessment proves to be negative by 10% or more for a period of five years, or if it remains negative by at least 5% for more than ten consecutive years, the principal of the provision fund shall be added, in whole or in part, to the assets of the pension supplement fund, in either case until the negative 5% benchmark has been reached, and the funds used to meet its liabilities.
- 54.5. When twenty years have passed from the establishment of the provision fund, its principal shall be added, in whole or in part, to the assets of the pension supplement fund to the extent needed so that its actuarial position becomes positive by at least 2.5%. The remaining balance of the provision fund shall be repaid to the State Treasury, unless the State believes there are special reasons why the remaining balance should be transferred to the pension supplement fund or Department A.
- 54.6. If it becomes apparent that the provision fund is unable to perform its function, i.e. if it does not contain sufficient assets to support the pension supplement fund so that that payments from the latter fund will not have to be reduced, employers shall begin discussions with associations representing government workers on how to respond. In these discussions it shall be assessed whether the actuarial assumptions used in determining the contribution to be made to the pension supplement fund, as well as the assumptions used in determining life expectancy, resulted in an underestimate of the fund's financial need. If so, measures shall be taken to protect the objective regarding the equal value of Fund members' rights.

Special contribution from employers in respect of pension supplement

Article 55

- 55.1. Employers who are not primarily funded by tax revenue, statutory service fees or contributions, shall reimburse the State Treasury for the portion of the contribution made by the State Treasury pursuant to Article 53.1 which is used to pay pension supplements for employees of such employers.
- 55.2. Refunds pursuant to Article 55.1 will be arranged such that employers, who are not government entities in Groups B and C of the Government Accounts, shall pay a special

contribution which is intended to cover the pension supplements of the respective employees.

- 55.3. The contribution shall cover the difference between the present value of future contributions and the present value of expected benefits to be paid in respect of future contributions, and shall be calculated based on all Fund members entitled to fixed accrual.
- 55.4. Employers shall pay this contribution at the same time as contributions to Department A according to the rules of Articles 19 and 20. The contribution base shall be the same as that described in Article 21.
- 55.5. This contribution shall be reviewed annually in accordance with the results of an actuarial assessment, and a decision on its increase or decrease shall be made no later than on 1 October for the following calendar year.

*Pension supplement refund by government entities in
Groups B and C of the Government Accounts*

Article 56

- 56.1. Government entities shall annually reimburse the State Treasury for their employees' pension supplements according to calculations performed by the Fund, provided they are not primarily funded by tax revenue, statutory service fees or contributions. Such calculation shall be based on the same assumptions as those used for calculating a special contribution pursuant to Article 55.
- 56.2. The Fund will collect such refunds and remit to the State Treasury.
- 56.3. The due date for pension supplement refunds shall be 1 February of each year for the preceding calendar year.

SECTION VIII

Accrual of benefits in Department B

Retirement benefit

Article 57

- 57.1. A Fund member who contributed to the Fund in 1996 or earlier or to Department B of the Fund is entitled to retirement benefits out of Department B from the time prescribed in Article 60 after retiring from a position granting membership of the Fund to which he had been appointed or hired for a period of at least one year or with at least a three month notice period, provided that the position was at least half-time. A Fund member who is employed in a position that meets the requirements set out in Article 16 for membership of Department B or collects a full salary for such work after retiring from it is not entitled to benefits on top of his salary. A Fund member is not entitled to benefits from the Department while collecting a parliamentarian's salary, a parliamentarian's temporary retaining salary, a minister's salary or a minister's temporary retaining salary.
- 57.2. A Fund member who contributes to Department A in respect of work meeting the requirements for membership of Department B does not have the right to collect retirement benefits from Department B while employed in such work.

57.3. Nurses who are employed with employers who are members of Department B but were not members of the Nurses' Pension Fund at year-end 2017 shall, notwithstanding Articles 57.1 and 57.2, maintain their right to collect retirement benefits in respect of entitlements established in the Nurses' Pension Fund.

Article 58

58.1. In the event that a Fund member begins collecting retirement benefits directly after retiring from work granting him membership of Department B, the amount of the retirement benefits shall be a percentage of the fixed wages for daytime work, personal supplements and vacation supplements associated with such work at the time of the Fund member's retirement according to collective bargaining agreements or wage decisions made under Act No. 94/1986 on Collective Agreements of Government Workers, or decisions of the Statutory Compensation Board, with the following exceptions:

- a. The Fund member was employed in higher paid work for at least 10 years in an earlier period of his membership of the Government Employees' Pension Fund. In such event the retirement benefits paid shall be based on the highest paid work, provided he was employed in that work for a period of least 10 years, or else on the assorted higher paid work in which the Fund member was employed for a minimum of 10 years. A person who is a member of the Fund due to the termination of a position pursuant to Article 16.1.e cannot count the period during which he pays a contribution to the Fund on account of continued membership following the termination of a position as time spent employed in higher paid work earlier during his period of membership.
- b. A Fund member defers the collection of retirement benefits to which he has become entitled pursuant to Article 60 and subsequently takes up work granting membership of the Department at a lower salary than he received in his previous work, in which case the retirement benefits shall be based on the higher paid work.
- c. A Fund member is forced to resign from his job for health reasons and subsequently takes up work granting membership of the Department at a lower salary.
- d. A Fund member was a member of the Department due to the termination of a position pursuant to Article 16.1.e, in which case the retirement benefits paid shall be based on the salary from which the most recent contribution to the Department was paid.

58.2. In the event that a Fund member has not collected a salary under collective bargaining agreements or wage decisions referred to in the first paragraph, the retirement benefits shall be a percentage of the reference salary set by the Board pursuant to Article 24.

58.3. Once the collection of retirement benefits begins, the amount of benefits will be adjusted in accordance with Articles 75 and 77.

Article 59

- 59.1. In the event that a Fund member does not begin collecting retirement benefits immediately upon retiring from work granting him membership of Department B, the amount of the retirement benefits shall be determined as follows:
- a. A member of Department B chooses to contribute to Department A and the total period of contributions to both departments is at least three years. In this case the retirement benefits paid out of Department B shall be based on the salary from which the Fund member paid his most recent contribution to the Department, adjusted in accordance with the average change in the fixed wages of government workers for daytime work from such time until the time that the collection of retirement benefits begins, see Article 75.
 - b. A Fund member has contributed to the Fund for at least three years but retired from a position granting him membership of the Fund. In this case the retirement benefits paid out of Department B shall be based on the salary from which the Fund member paid his most recent contribution to the Department, adjusted in accordance with the average change in the fixed wages of government workers for daytime work from such time until the time that the collection of retirement benefits begins, see Article 75. However, if the Fund member retired from such position before the end of 1996, the benefits paid shall be based on the salary associated with that position until the end of 1996, and from then on according to the aforementioned rule.
 - c. The Fund member has contributed to the Fund for a period of at least three years and is entitled to having his benefits determined on the basis of a higher-paid position than the one in which he was employed at the time of his most recent contribution, see Articles 58.1.a, 58.1.b and 58.1.c. In this case the retirement benefits paid out of Department B shall be based on the salary associated with the higher-paid position at the time of the Fund member's retirement from it, adjusted in accordance with the average change in the fixed wages of government workers for daytime work from such time until the time that the collection of benefits begins, see Article 75. However, if the Fund member retired from that position before the end of 1996, the benefits paid shall be based on the salary associated with the higher-paid position until the end of 1996, and from then on according to the aforementioned rule.
 - d. A Fund member has contributed to the Fund for a period of less than three years and begins collecting retirement benefits without such collection beginning immediately upon his retirement from a position granting him membership of the Fund. In this case the retirement benefits paid shall be based on the salary from which the most recent contribution to the Department was made.
 - e. A Fund member was a member of the Department due to the termination of a position pursuant to Article 16.1.e. In this case the retirement benefits paid shall be based on the salary from which the Fund member paid his most recent contribution to the Department, adjusted in accordance with the average change in the fixed wages of government workers for daytime work from such time until the time that the collection of benefits begins, see Article 75. However, if the Fund member stopped contributing to the Fund before the end of 1996, the benefits paid shall be

based on the salary associated with the position in respect of which he paid a contribution as at year-end 1996, and from then on according to the aforementioned rule.

- 59.2. Once the collection of retirement benefits begins, the amount of benefits will be adjusted in accordance with Articles 75.

Article 60

- 60.1. A member of Department B may begin collecting retirement benefits out of the Department at the following times:
- a. At the beginning of the month following his 65th birthday or later.
 - b. At the beginning of the month following his 60th birthday, provided that the sum of his age and the period of contributions is 95 years or more before he reaches the age of 64.
- 60.2. A Fund member may decide to begin collecting a 50% retirement benefit at any time after attaining the age of 65, provided that the Fund member is not employed in more than half-time employment granting membership of the Fund or that would have granted membership of the Fund prior to the establishment of Department A of the Fund.

Article 61

- 61.1. The amount of retirement benefits will be a certain percentage of the Fund member's salary in accordance with Article 58 or 59 for each year spent in a full-time position, and proportionally lower for a lower proportion of employment as further described below:
- a. For a Fund member who collects retirement benefits pursuant to Article 60.1.a, the percentage shall be 2% for each year spent in a full-time position for which contributions have been paid, and proportionately lower for a lower proportion of employment. 1% will be added for each year spent in a full-time position granting membership of the Fund after the payment of contributions ceases, see Article 22.b, until the Fund member reaches the age of 65, and a further 2% for each year spent in a full-time position from such time until the collection of retirement benefits begins.
 - b. For a Fund member who collects retirement benefits pursuant to Article 60.1.b, the percentage shall be 2% for each year spent in a full-time position for which contributions have been paid, and proportionately lower for a lower proportion of employment, up to a maximum total of 64%. 2% will be added for each year spent in a full-time position granting membership of the Fund from the time that the sum of the Fund member's age and the period of contributions reaches 95 years until the collection of retirement benefits begins.
- 61.2. The rights of those nurses who had entitlements both in Department B and the Nurses' Pension Fund at year-end 2017, and had not begun collecting benefits, shall be assessed as if they contributed to a single fund the whole time. However, the assessment of benefits shall be based on the proportion of rights accrued by nurses according to the rules of the Nurses' Pension Fund at year-end 2017. The assessment

of retirement benefits shall also be based on different reference salaries, if such arrangement is more favourable for the Fund member.

Police officers

Article 62

- 62.1. A police officer who is relieved of duty at the age of 65 shall receive retirement benefits pursuant to Article 24 of Act No. 1/1997, as applicable, with the exception that the retirement benefits shall be calculated as if he had worked to the age of 70.
- 62.2. The calculation of additional benefits to the age of 70 for an active member of Department B pursuant to this Article shall be based on the average proportion of employment during the three full years preceding the collection of retirement benefits.
- 62.3. The calculation of additional benefits pursuant to Article 62.1 shall not apply to shift workers referred to in Article 63.

Article 63

- 63.1. Shift workers, i.e. Fund members whose working hours vary according to a regular schedule, are entitled to a special supplementary benefit. The same applies to night watchmen and other staff with working hours only at night, i.e. during the hours from 10.00 p.m. to 9.00 a.m. The supplementary benefit shall be calculated from the reference salary set by the Board, which shall also be used to determine the contribution due in respect of shift premiums and other extra pay pursuant to Article 24.6. If the Board of the Fund changes the monthly reference salary, it shall simultaneously decide how benefits accrued for previous years should be converted.
- 63.2. The benefits accrued through contributions paid from shift premiums shall be determined each year by calculating how many months of reference salary contributions the total contributions paid during the year amount to. For each equivalent of 12-month contributions, the Fund member accrues a retirement and disability benefit corresponding to 2% of the reference salary and a spouse's benefit corresponding to 1% of the reference salary.

Disability benefit

Article 64

- 64.1. A Fund member who has contributed to the Fund is entitled to disability benefits if he suffers a loss of ability assessed by the Fund's physician at 10% or more. The disability assessment shall mainly be based on the Fund member's lack of ability to perform the work in which he was employed and granted him membership of the Fund. Despite a disability, a Fund member will not be entitled to disability benefits as long as he continues to collect a full fixed salary for the work in which he was employed, or collects an equal salary for other work granting pension benefits, and the disability benefits shall never exceed the loss of income demonstrably suffered by a Fund member by virtue of disability.
- 64.2. In order to determine whether the disability has resulted in a loss of income, a reference income shall be set for the relevant Fund member equal to his average income for the three years preceding the loss of ability. If the Board deems this three year average to be unfavourable for the Fund member because of special

circumstances, it may calculate the average income level based on a greater number of preceding years and exclude from the calculation the least favourable year.

- 64.3. Once determined, the reference income level referred to Article 64.2 shall be adjusted in accordance with changes in the wage index.
- 64.4. In calculating loss of income, account shall be taken of the disability beneficiary's employment income, pensions and other benefits received from Social Security and other pension funds and benefits received under collective bargaining agreements as a result of the impairment.

Article 65

- 65.1. The maximum disability benefits shall be based on benefits accrued pursuant to Articles 61 and 63. However, if the Fund member has contributed to the Fund during the preceding three calendar years and for at least 6 of the preceding 12 months, the maximum disability benefits will correspond to the sum of accrued benefits plus the Social Security individual pension. If the disability can be mainly attributed to the work in which the disabled person was employed, benefits shall accrue as if the Fund member had been employed in that work until the age of 65.

Article 66

- 66.1. Disability benefits shall be determined as follows:
 - a. Should the disability be assessed at 10% to 50%, the disability benefits shall be a percentage of the maximum benefits pursuant to Article 65 equal to the percentage of disability.
 - b. Should the disability be assessed at 50% to 70%, the disability benefits shall be 50% of the maximum benefits plus a further 2% for each percentage point of disability above 50%.
 - c. Should the disability be assessed at 75% or more, the maximum disability benefits shall be paid, less the disability benefits received from Social Security.

Article 67

- 67.1. Should the disability be assessed at less than 75%, disability benefits will be paid until the Fund member reaches the age of 65. From there on, retirement benefits shall be paid. However, the portion of the benefits which is based on benefits paid out of Social Security, see Article 65, will be paid until the Fund member reaches the age of 67.

Article 68

- 68.1. A Fund member who applies for disability benefits from the Fund or receives such benefits must provide the Board with all information relating to his health and earned income necessary to determine his entitlement to disability benefits.
- 68.2. The Board shall reduce or eliminate the disability benefits of those members who regain their ability to work in part or in full. Similarly, the Board shall increase the disability benefits if the disability increases significantly without fault of the disabled person from the time it was previously assessed, provided the disabled person has not, since the time that the disability increased, been employed by employers other than those that insure their staff in the Fund.

Spouse's benefit

Article 69

- 69.1. A surviving spouse of a Fund member who collected retirement or disability benefits from Department B or who contributed to Department B is entitled to collect benefits from the Fund after the payment of contributions to the Fund ceases.
- 69.2. If a Fund member married after attaining the age of 60 years, or during the time that he/she collected benefits from the Fund or when he/she had become terminally ill, the Board of the Fund shall determine whether the surviving spouse should receive benefits or not.
- 69.3. The right to collect benefits pursuant to this Article shall lapse if the surviving spouse marries again, but shall be re-established if the latter marriage is dissolved, provided the latter marriage does not provide a right to collect benefits from the Fund. If the latter marriage also provides a right to collect benefits, the surviving spouse may choose whether to collect benefits in respect of the former or latter spouse.

Article 70

- 70.1. The amount of a spouse's benefit shall be one-half of the retirement benefits accrued by the deceased Fund member pursuant to Articles 61 and 63.
- 70.2. The spouse's benefit shall increase by 20% of the salary used to determine the amount of retirement benefits pursuant to Article 61 if the Fund member had full-time employment at the time of retirement, or at the time of beginning the collection of a 50% retirement benefit pursuant to Article 60.2, with a proportionately smaller increase if the Fund member had a lower proportion of employment at the time of retirement, provided the deceased Fund member meets one of the following three requirements:
 - a. he was employed in work granting membership of Department B at the time of death;
 - b. he had begun collecting retirement benefits prior to death immediately upon retiring from work granting membership of Department B;
 - c. he has paid contributions to Department B equivalent to contributions for 15 years or more of full-time work and not contributed to any other pension fund after ceasing contributions to this Fund.
- 70.3. In the event that a Fund member who has moved from Department B to Department A dies before the combined period of contributions to either department reaches 3 years, thereby precluding extrapolation, the increase in a spouse's benefit pursuant to Article 70.2 shall be calculated as if the Fund member had not been transferred to Department A.

Article 71

- 71.1. If a marriage ended in divorce, the determination of a spouse's benefit shall be based on the period that the deceased spouse had been a member of the Fund when the marriage ended. In such case the spouse's benefit shall not increase as described in Article 70.2.
- 71.2. When a Fund member, who has been married twice, dies and is survived by a spouse and a former spouse, the spouse's benefit is divided between them such that the

benefit due to the ex-spouse is determined as described in Article 71.1 above, while the benefit due to the second spouse is calculated as of the date on which the first marriage ended. A parallel rule shall apply in cases where more than two persons are entitled to a spouse's benefit.

- 71.3. If a Fund member, who died prior to 1 January 1997, was married more than once and is survived by a spouse and a former spouse, the benefit shall be divided between those entitled to a spouse's benefit in accordance with the law governing the pension fund at the time of the Fund member's death. After 1 January 1997, however, it shall be permitted to divide the spouse's benefit between the former spouse and subsequent spouse in accordance with Article 71.2.

Article 72

- 72.1. If a Fund member was not married at the time of death and his/her single mother, unmarried sister or other unmarried person has demonstrably taken care of his/her household for a number of years prior to death, being at least five years, the Board of the Fund may pay a spouse's benefit to that person as if she/he were a widow or widower. Similarly, the Board may pay a benefit to a cohabitant if the Fund member is survived by a child under the age of 18 that the Fund member had with the surviving cohabitant. The Board may also pay a benefit to a cohabitant for a period of 24 months notwithstanding failure to meet the requirements of the first sentence regarding the period of cohabitation, or if the cohabitant is disabled by 50% or more.

Child benefit

Article 73

- 73.1. The surviving natural or adopted children of a member of Department B who are under the age of 18 shall receive benefits from the Fund after the payment of contributions ceases until the age of 18. The same applies to the surviving natural or adopted children of a Fund member who collected retirement or disability benefits from the Fund at the time of death.
- 73.2. If a child entitled to benefits pursuant to Article 73.1 has a living parent or adoptive parent who provides for that child, the child benefit paid by the Fund shall be one-half of the Social Security child benefit. Otherwise the benefit shall be twice the amount of the Social Security child benefit.
- 73.3. The natural or adopted children of a Fund member collecting retirement or disability benefits out of Department B who are under the age of 18 shall receive benefits from Fund until the age of 18. The amount of the child benefit is to be determined in accordance with Article 73.2, with the proviso that it shall bear the same proportion to benefits pursuant to that paragraph as the disability benefits bear to the maximum disability benefits.
- 73.4. Foster children, whom a Fund member has fully or largely provided for, shall enjoy the same right as natural and adopted children.
- 73.5. If child benefits are being paid out of Department A in respect of a Fund member who also has entitlements in Department B, no child benefits shall be paid out of Department B.

Article 74

- 74.1. If a Fund member retires from a position granting membership of the Fund or begins contributing to Department A before the period of contributions reaches 32 years, the child benefit payout shall be $\frac{1}{32}$ of the amount determined according to Article 73 for each full year that the Fund member has accrued benefits in the Department and proportionally for a fraction of a year.

Adjustment of benefits after start of collection

Article 75

- 75.1. Retirement, disability and spouse's benefits will be adjusted in line with the average change in the fixed wages of government workers for daytime work pursuant to Article 58.1 from their December 1996 level and determined as described in Article 58 or Article 59 at the start of collection. Statistics Iceland will measure such change according to rules approved by the Board of the Fund. The change shall be measured monthly in relation to the wage level two months prior and notified to the Fund. The change shall be expressed as an index to be set at 100 for December 1996.

Article 76

- 76.1. Adjustment of benefits after start of collection pursuant to Article 75 applies to the following:
- a. Persons who collected benefits from the Fund in December 1996 and choose to have their benefits adjusted in accordance with Article 75, see the provisions of Article 78.
 - b. Persons who begin collecting benefits out of Department B after 1 January 1997 directly upon retiring from work in respect of which contributions were paid to the Department, and who do not choose to have their benefits adjusted in accordance with Article 77, see the provisions of Article 79.
 - c. Persons who begin collecting benefits out of Department B after 1 January 1997 directly upon retiring from work in respect of which contributions were paid to the Department, who are entitled to benefits based on higher wages than they received immediately preceding the start of collection, see Articles 58.1.a, 58.1.b and 58.1.c, and who do not choose to have their benefits adjusted in accordance with Article 77, see the provisions of Article 78.
 - d. Fund members who decide to contribute to Department A rather than Department B.
 - e. Fund members who do not begin collecting benefits directly upon retiring from work granting membership of Department B and collect benefits determined pursuant to Article 59.
 - f. Persons who are members of the Fund due to the termination of a position pursuant to Article 16.1.e and collect benefits pursuant to Article 58.1.d or Article 59.1.e.

Article 77

- 77.1. Notwithstanding Article 75, Fund members who collected benefits from the Fund in December 1996 or begin collecting benefits from Department B directly upon retiring

from work in respect of which contributions were paid to the Department until such time, may decide that rather being adjusted pursuant to Article 75, their benefits should instead be adjusted in line with the change in the wages paid at any time for their most recent employment or other wages used to determine their original benefits pursuant to Article 58. A Fund member's decision pursuant to this provision also applies to spouse's benefits and will be binding on the Fund member's spouse.

- 77.2. In the event that a Fund member chooses to have his benefits adjusted in line with the change in the wages paid at any time for his most recent employment pursuant to Article 77.1 and wages for such employment are not suitable to be used as a reference for the contributions to be paid to the Department, see Article 24.2, the Board of the Fund shall decide the reference salary to be used for determining the payout of benefits, which salary shall be determined on the basis of wage decisions made in respect of state and municipal workers under Act No. 94/1986 on the Collective Agreements of Government Workers and the Statutory Compensation Board Act No. 47/2006.

Article 78

- 78.1. Fund members who collected benefits from the Fund in December 1996 were required to decide before 1 December 1997 whether their benefits should be adjusted according to Article 75 or Article 77. The benefits of members who chose Article 75 have been determined as stated therein as of the third month following their decision with binding effect.

Article 79

- 79.1. A Fund member who begins collecting benefits from Department B directly upon retiring from work in respect of which contributions were paid to the Department until the start of collection shall inform the Fund whether his benefits should be adjusted according to Article 75 or Article 77 no later than three months after beginning collection. If such notification is not received, benefits shall be adjusted according to Article 75. In the event that a Fund member chooses Article 75 or if he does not notify his choice, the amount of benefits as of the start of collection shall be determined in accordance with the provisions of that Article, which selection shall be binding from such time.

Article 80

- 80.1. A Fund member who decides pursuant to Article 78 or 79 that his benefits should be adjusted according to Article 77, shall be able to decide later that the benefits should be adjusted according to Article 75, which decision will then be binding. The change shall take effect three months from the time it is requested in writing, at which time the Fund member's benefits will be adjusted according to Article 75 from the most recent monthly payout of benefits as determined according to Article 77.

Article 81

- 81.1. In the event that a Fund member's position is terminated directly upon his retirement or if a position used as a basis for adjusting benefits pursuant to Article 77 is

terminated, benefit payouts shall thenceforth be adjusted in accordance with Article 75. However, the Board shall decide a different reference salary if requested. The same rule applies where a Fund member is entitled to have his benefits determined on the basis of a higher salary than that paid for his most recent work, see Articles 58.1.a, 58.1.b and 58.1.c.

SECTION IX

Payment of Benefits, Reimbursement for Contributions and Transfer of Accrued Benefits

Payment of benefits

Article 82

- 82.1. Benefits out of Department A will be paid monthly in arrears, for the first time for the month following the month in which the pension entitlement is established and for the last time for the month in which the pension entitlement expires. However, a Fund member who begins collecting benefits directly upon retiring from work for which he received wages in advance shall be paid benefits in advance.
- 82.2. In cases where entitlements accrued in Department A do not amount to at least ISK 2,348 in retirement benefits and it is apparent that the accrued rights will not be merged with other pension entitlements, the Board may make the payment in a lump sum according to rules consistent with actuaries' recommendations. This reference amount shall be adjusted annually in line with the change in the CPI from a base level of 438.5 as of December 2016.

Article 83

- 83.1. Benefits out of Department B will be paid monthly in advance, for the first time for the month in which the pension entitlement is established and for the last time for the month in which the pension entitlement expires.
- 83.2. In cases where the monthly retirement benefit payout is less than ISK 300, payment may be made in a lump sum in accordance with actuaries' recommendations. This amount will be adjusted in line with the average change in the wages of government workers for daytime work, as further provided in Article 75 hereof.

Article 84

- 84.1. Monthly payouts shall be adjusted in line with the average change in wages pursuant to Article 75 as of the month following the month in which their calculation is completed. If general changes in the wages of government workers are foreseeable, the Board of the Fund may decide to make corresponding adjustments to benefits before the impact of the wage increase has been measured by Statistics Iceland, see Article 75.
- 84.2. In December each year, benefits paid for the period from November of the preceding year to October of the same year shall be adjusted so as to account for the difference between the benefits calculated on the basis of the change in wages in each month and the benefits previously paid for the same month.

Article 85

- 85.1. An application for benefits shall be in writing and benefits will be paid as of the beginning of the month following the submission of an application. However, it shall be permitted to pay benefits as of the time that a right to receive benefits from Department B is established, although not further back in time than four years except in special situations. However, retirement benefits out of Department A shall be paid no later than at the beginning of the next month after the Fund member reaches the age of 70. If a Fund member wishes to defer the collection of retirement benefits beyond the age of 70, he must apply for this separately.
- 85.2. An employer who contributes to the Fund pursuant to Articles 20 or 23 shall notify the Fund when an employee of his who is a member of the Fund retires from work granting membership of the Fund or if he stops contributing to the Fund for other reasons.

Reimbursement for contributions and transfer of accrued benefits

Article 86

- 86.1. The Board of the Fund may conclude a mutual agreement with other pension funds providing for the transfer of contributions, and the benefits accrued through these contributions, between pension funds at the start of payouts.
- 86.2. Non-Icelandic citizens may be reimbursed for contributions when they move out of the country, provided that such arrangement is not prohibited by any international treaty by which Iceland is bound. Such reimbursement may not be limited to a specific portion of the contribution unless warranted by actuarial reasons.

SECTION X

Responsibilities of Employers and Fund Members

Responsibility for payments

Article 87

- 87.1. Employers and Fund members are only responsible for the liabilities of Department A to the extent of their contributions.

Article 88

- 88.1. The State Treasury guarantees the payment of benefits out of Department B.

Reimbursement for increases in benefits

Article 89

- 89.1. The State Treasury and other employers shall, in respect of any former employees of theirs collecting benefits from Department B, pay to the Fund that portion of the benefits collected by such former employees which represents an increase from the amount paid out at the start of collection, see Articles 75 and 77. In the event that a Fund member contributed to the Fund in respect of work with more than one employer, the increase in benefits shall be divided between them in accordance with the wages used for determining the accrual of benefits and in proportion to the benefits accrued with each employer.

- 89.2. If any changes are made to a Fund member's fixed wages for daytime work beyond general changes in the wages of government workers within a year before the start of collection or the termination of a position, the employer concerned shall pay to the Fund any such increase in addition to any increase pursuant to Article 89.1.

Police officers

Article 90

- 90.1. At the start of collection of retirement benefits by a police officer pursuant to Article 36 or 62, the added cost incurred by the Fund as a result thereof shall be estimated and paid to the Fund by the State Treasury. The estimation shall be based on the same actuarial assumptions as those used in estimating the Fund's liabilities. By making such payment, the State Treasury will also be deemed to have satisfied in full any liabilities incurred under Article 89 relating to the additional benefits accrued pursuant to Articles 36 and 62.

Termination of a position

Article 91

- 91.1. An employer who terminates a position is responsible for liabilities incurred due to increases in benefits resulting from contributions to the Fund after the Fund member has been granted continued membership of the Fund following the termination of the position.

Article 92

- 92.1. Notwithstanding the provisions of Article 89, the State Treasury, and not municipalities, shall reimburse the Fund for increases pursuant to Article 89.1 in the benefits of primary school teachers and administrators resulting from increases in the wages of government workers.
- 92.2. Any additional benefits paid by municipalities in respect of primary school teachers and administrators shall be deducted from the reimbursement due from the State Treasury under Article 92.1. If the additional benefits in a given year exceed the reimbursement due under Article 92.1, the balance will be held in the Fund and used to reduce the amount of future reimbursements.

Settlement of liabilities and payment of additional contributions

Article 93

- 93.1. The Board of the Fund may, having received the approval of the Ministry of Finance, accept payment in the form of cash or a debt instrument in satisfaction of liabilities due under Article 89, provided that the debt is adequately secured.
- 93.2. The liability thus settled shall be estimated based on an actuarial valuation of the benefits accrued by the relevant Fund member as at the date of settlement. The relevant employer's share of the assets of Department B will be deducted from the estimated liability. The employer's share shall bear the same proportion to the total assets of the Department held for the payment of unsettled liabilities as the employer's liabilities bear to the Departments' total liabilities.

- 93.3. An employer who settles a liability pursuant to this Article shall have no further responsibility for the Fund's liabilities under Article 89 in respect of the period and the employees covered by the settlement.
- 93.4. In the event that an employer's liability is settled with a debt instrument, such instrument shall be guaranteed by the State Treasury or otherwise meet the requirements of Article 25.

Article 94

- 94.1. The Board of the Fund may, having received the approval of the Minister of Finance, negotiate with employers for the payment of a higher contribution than normally due under Article 23 in order to meet future liabilities pursuant to Article 89. If such an agreement is made, the contribution of each employer shall be calculated so that the present value of the employer's future contributions to Department B corresponds to the value of future liabilities according to an actuarial valuation.
- 94.2. Similarly, the Board of the Fund may, having received the approval of the Minister of Finance, accept a debt instrument in satisfaction of future liabilities due under Article 89 in respect of persons who are members of the Fund pursuant to Article 16.1.e, provided that the debt is adequately secured. Such settlement shall be based on an actuarial valuation of future liabilities as at the date of settlement. An employer who settles a future liability pursuant to this Article shall have no further responsibility for the liabilities of Department B under Article 89 in respect of the period and the employees covered by the settlement.

Article 95

- 95.1. The Fund may allow the State Treasury and other employers who contribute to Department B to pay a special contribution as part of their reimbursement under Article 89. The sum of such contribution and the contribution due to the Department under Articles 22 and 23 shall be equal to the contribution due to Department A under Articles 19 and 20. The Fund's annual income in respect of special contributions shall be subtracted from the reimbursement due from employers for increases in benefits under Article 89 or unsettled liabilities in respect thereof.

Article 96

- 96.1. The Minister of Finance may decide that agencies funded through the State Budget shall pay a supplementary contribution to Department B, amounting to 9.5% of the contribution base, in which case the Fund's annual income from such supplementary contributions shall be subtracted from the reimbursement due from the State Treasury for increases in benefits under Article 87.

Article 97

- 97.1. The Board of the Fund may, having received the approval of the Minister of Finance, negotiate with employers for the payment of an additional contribution on top of the contribution due under Article 23 in satisfaction of any new liabilities incurred under Article 89. An employer who pays an additional contribution pursuant to this Article

shall have no further responsibility for the liabilities of Department B in respect of the period and the employees covered by the additional contribution.

SECTION XI
Defined Contributions Department

General

Article 98

- 98.1. The Fund operates a Defined Contributions Department which accepts contributions and pays benefits out of those contributions.

Membership

Article 99

- 99.1. Membership of the Defined Contributions Department is open to those who contribute or have contributed to the Government Employees' Pension Fund or the Nurses' Pension Fund, as well as those who might be entitled to membership of Department A of the Government Employees' Pension Fund under Article 14.
- 99.2. Members of the Defined Contributions Department shall conclude a written agreement with the Fund in accordance with the provisions of Act No. 129/1997, Regulation No. 391/1998 and Regulation No. 698/1998.

Share of returns

Article 100

- 100.1. Contributions made by a Fund member to the Defined Contributions Department will be credited to his personal account. The Fund member's account will also be credited with all interest and indexation income earned by the Fund on the Fund member's contributions.
- 100.2. The net income of the Defined Contributions Department will be divided among Fund members in proportion to their holdings and accrue annually to their personal accounts.

Payout

Article 101

- 101.1. A Fund member who has attained the age of 60 years is entitled to payment of his pension savings, although not earlier than two years after the time of the first contribution.
- 101.2. Members of the Defined Contributions Department shall conclude a written agreement on the payout of their savings no later than at the start of collection.
- 101.3. Upon death, a Fund member's savings in the Defined Contributions Department will accrue to and be divided among his heirs in accordance with the Inheritance Act. In the event that a beneficiary is not survived by children or a spouse, the savings shall accrue to the beneficiary's estate without the restrictions imposed by the second sentence of Article 8(2) of Act No. 129/1997.

- 101.4. A Fund member who is forced to retire due to chronic ill health before attaining the age of 60 is entitled to a monthly or annual payout for a period of at least 7 years. Should the disability be assessed at less than 100%, the annual repayment will be lowered accordingly with a corresponding extension of the repayment period.
- 101.5. Deviation from the above rules is permitted, at the discretion of the Fund member, if the Fund member's savings are less than ISK 1,263,689. This reference amount shall be adjusted annually in line with the change in the CPI from a base level of 438.5 as of December 2016.
- 101.6. For the purposes of this Article, regular payments shall mean payments distributed equally over the number of payment years, so that the Fund member receives, in each year, a portion of his savings, including investment returns, corresponding to the number of years remaining of the repayment period.

Termination

Article 102

- 102.1. An agreement for the payment of contributions to the Defined Contributions Department may be terminated on two months' notice.
- 102.2. However, the agreement will automatically terminate should the Fund member retire from work granting membership of the Fund pursuant to Article 99.1, unless he requests to continue to contribute to the Defined Contributions Department.
- 102.3. Termination does not give rise to the right to a payout of savings or benefits. The parties to an agreement on pension savings may agree to transfer savings or benefits, following termination, to entities authorised to offer such agreements under Article 8(3) of Act No. 129/1997, against payment of costs.

Investment plans

Article 103

- 103.1. The Board of the Fund may offer one or more investment plans in the Defined Contributions Department. A separate investment policy shall be formulated for each investment plan in accordance with the provisions of Article 36 of Act No. 129/1997. If multiple investment plans are offered, Fund members shall notify the Fund of their choice of investment plan in the manner decided by the Fund. If the Fund offers multiple investment plans, Fund members may request transfers between plans in accordance with the rules set by the Board.

SECTION XII

Specified Personal Pension Department

(Tilgreind séreignardeild)

General

Article 104

- 104.1. The Fund operates a Specified Personal Pension Department (*tilgreind séreignardeild*) that receives contributions from members of Department A for the accumulation of a specified personal pension, see the second sentence of Article 20.2.

Membership

Article 105

- 105.1. Those who wish to become members of the Specified Personal Pension Department must notify this to the Fund in a verifiable manner according to the rules established by the Fund and in accordance with the provisions of the applicable law. In the same way, Fund members can inform the Fund that they wish to stop contributing to the Specified Personal Pension Department in part or in whole, in which case their contribution will accrue to Department A.

Allocation of contributions

Article 106

- 106.1. The Fund shall make changes to the allocation of contributions in accordance with the notified decision of Fund members as soon as possible and no later than within two calendar months from a notification being verifiably received. A decision to change the allocation of future contributions does not affect already allocated contributions.

Benefit payouts

Article 107

- 107.1. A Fund member may begin withdrawals from the Specified Personal Pension Department from the age of 62, in which case payouts will be distributed at least until the Fund member reaches the age of 67. The above payout period may be deviated from if requested by the beneficiary and provided the savings are less than ISK 1,263,689. This reference amount will be adjusted annually in line with the change in the CPI from a base level of 438.5 as of December 2016.
- 107.2. A beneficiary who is forced to retire due to disability before attaining the age of 62 is entitled to a regular monthly payout of his savings in the Specified Personal Pension Department over a period of at least 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 payout period extended accordingly. The above payout period may be deviated from if requested by the beneficiary and provided the savings are less than ISK 1,263,689. This reference amount will be adjusted annually in line with the change in the CPI from a base level of 438.5 as of December 2016.
- 107.3. Upon death, the beneficiary's heirs will become entitled to the savings in accordance with the Inheritance Act. In the event that a beneficiary is not survived by children or a spouse, the savings shall accrue to the beneficiary's estate without the restrictions imposed by the second sentence of Article 8(2) of Act No. 129/1997.

Investment plans

Article 108

- 108.1. The Board of the Fund may offer one or more investment plans in the Specified Personal Pension Department. A separate investment policy shall be formulated for each investment plan in accordance with the provisions of Article 36 of Act No. 129/1997.

If multiple investment plans are offered, Fund members shall notify the Fund of their choice of investment plan in the manner decided by the Fund. If the Fund offers multiple investment plans, Fund members may request transfers between plans in accordance with the rules set by the Board.

SECTION XIII

Miscellaneous

No assignment or pledges

Article 109

- 109.1. Rights to benefits under these Articles of Association may not be assigned or pledged or made subject to attachment or execution. No creditor of a deceased's estate or bankruptcy estate shall be entitled to encroach upon such rights in any manner, and pensions may not be withheld for the payment of any governmental taxes, except as provided for in Act No. 45/1987 on the Withholding of Governmental Taxes.

Disputes

Article 110

- 110.1. In the event a Fund member does not accept the decision of the Board on a matter which he has referred to it for consideration, he may refer the matter to arbitration. The arbitration panel shall be composed of three persons, one nominated by the Fund member, one by the Fund, and one by the Ministry of Finance. The arbitration panel shall base its ruling on the demands, evidence, arguments and other information available to the Board at the time of its decision. In the event that new demands, evidence or arguments emerge during the arbitration proceedings, the matter shall be sent back to the Board for reconsideration and a new decision. The ruling of the arbitration panel is binding on both parties. The cost of the arbitration shall be divided between the parties at the discretion of the panel, provided that the Fund member shall not pay more than 1/3 of the cost. In other respects, the arbitration proceedings shall be governed by the Act on Contractual Arbitration.

Entry into force and applicable law

Article 111

- 111.1. These Articles of Association are drawn up in accordance with Act No. 1/1997 on the Government Employees' Pension Fund.
- 111.2. The version of these Articles from before their amendment in 2004 will remain valid for those Members of Parliament and Cabinet Ministers who choose to collect benefits under the previous Act, see the first paragraph of Article 22 of Act No. 141/2003.
- 111.3. The version of these Articles from before their amendment in 2009 will remain valid for those Supreme Court Judges who accrue benefits under provisions of Act No. 141/2003 on the Pension of the President of Iceland, Cabinet Ministers, Members of Parliament and Supreme Court Judges, see Article 2 of Act No. 12/2009.

111.4. These Articles of Association may be amended by the Board. At least six weeks before an Annual Meeting, the Board shall send motions to amend the Articles to those entities who appoint members of the Board.

111.5. These Articles of Association shall enter into force on 1 April 2023, with the exception of the amendments to Article 2, Article 20 and the provisions of a new section, Section XII, which shall enter into force on 1 June 2023. If the minister has not confirmed the amendments before the specified time, the amendments will take effect on the 1st working of the month following the minister's confirmation.

Temporary provision 1:

In the years 2023-2025, the result of the extrapolation of disability benefits shall be multiplied by the factor shown in the following table for those who are awarded disability benefits each year:

- The year 2023: 1.06
- The year 2024: 1.04
- The year 2025: 1.02

After 2025, this provision will no longer apply.

Temporary provision 2:

If a Fund member with a fixed accrual of benefits had begun deferring the collection of benefits beyond the age of 65 prior to 1 January 2023, the previous rules on deferment factors will apply for the months that had been deferred at that point in time, i.e. a 0.75% increase will apply for each deferred month up to and including 31 December 2022. The rules of Article 52 will apply to the months deferred after 1 January 2023.

After 2023, this provision will no longer apply.

The Board of the Government Employees' Pension Fund and Managing Director of the Fund hereby confirm the Fund's Articles of Association with their signatures.

Reykjavik, 1 March 2023

Reykjavik, 21.3.2023
Certified translation
Ingvar H. Eggertsson
