

STAPI
PENSION FUND

Articles of Association

Adopted at the Annual General Meeting of the Fund on 29 April 2015

A. Provisions in common

Section I

Role, organisation and Board of Directors of the Fund

1 Name and domicile of the Fund

- 1.1.** The Name of the Fund is Stapi Pension Fund ("Stapi, lífeyrissjóður"). Its domicile and legal venue are in Akureyri.

2. Role of the Fund and sections

- 2.1.** The role of the Fund is to ensure pensions for its members, their surviving spouses and their children in accordance with the provisions of these Articles of Association.
- 2.2.** The Fund is divided into two sections: a mandatory division and a voluntary division. The sections shall be financially segregated. The Fund's operating expenses shall be divided between the sections in proportion to their respective scope of activities in accordance with regulations set by the Fund's Board of Directors. The voluntary division can offer one or more savings portfolios. Operating expenses shall be divided between portfolios proportional to their respective scope of activities in compliance with regulations set by the Fund's Board of Directors.
- 2.3.** The Fund operates in accordance with the Act on the Mandatory Guarantee of Pension Rights and the Operation of Pension Funds No. 129/1997, and on the basis of valid collective bargaining agreements as applicable at any particular time. It is the objective of the Fund's mandatory division to provide fund members with the minimum pension rights stipulated in Chapter III of Act 129/1997.
- 2.4.** The Fund places particular emphasis on retirement pension insurance and reserves the right to protect and strengthen such entitlements beyond other entitlements when reviews are conducted of the entitlement provisions of these Articles of Association.

3. Member organisations, Representative Council and Annual General Meeting

- 3.1.** The member organisations of the Fund can be trade unions, employee associations and employer federations.
- 3.2.** The following trade unions and employee associations are the Fund's member organisations representing employees:

Afl Starfsgreinafélag
Aldan stéttarfélag
Eining-löjja, Eyjafirði
Byggið, félag byggingamanna
Félag verslunar- og skrifstofufólks Akureyri
Framsýn, stéttarfélag
Iðnsveinafélag Skagafjarðar
Stéttarfélagið Samstaða
Verkalýðsfélag Þórshafnar
Verslunarmannafélag Skagfirðinga
Þingið, félag iðnaðarmanna í Þingeyjar-sýslum

- 3.3.** The following employer federations are the Fund's member organisations representing employers: The Confederation of Icelandic Employers (Samtök atvinnulífsins).
- 3.4.** Applications by trade unions, employee associations or employer federations for membership of the Fund shall be in writing, and the Fund's Board of Directors shall reply to membership applications in writing within three months from the receipt of such applications by the Fund. Termination of membership of the Fund by member organisations shall also be in writing and require at least six months' notice. Member organisations' commencement or termination of membership of the Fund shall be approved by the Fund's Board of Directors.
- 3.5.** All those who pay contributions, have paid contributions or for whom contribution payments are made into the Fund are considered to be Fund members. The same applies to recipients of retirement pensions and disability pensions from the Fund.
- 3.6.** A special Representative Council, composed of an equal number of representatives of employees and employers participating in the Fund, is endowed with voting rights at meetings. Employee representatives shall be elected in a manner ensuring that each member organisation representing employees under Article 3.2 elects from among its members one representative for up to 200 members of the organisation and one member for each additional 200 members thereafter, or a fraction of that number if it equals or exceeds one hundred. Employer representatives shall be elected in a manner ensuring that the 50 largest business undertakings and organisations operating occupational or service activities, as measured by their employees' contributions to the Fund in the preceding financial year, appoint one representative each. Business undertakings that prepare consolidated financial statements may be counted as a single party for the purposes of this Article. Employer federations that are members of the Fund under Article 3.3 shall appoint the number of representatives required to make up any deficit in ensuring an equal number of representatives of employers and employees on the Representative Council, pro rata to the contributions of their member companies/organisations. Notification shall be given of nominations to the Representative Council at least 14 days before the end of the current term in office, and appointments shall take effect at the beginning of the Annual General Meeting and remain in effect until the next Annual General Meeting. A Representative Council member may exercise the mandate of one other representative at meetings of the Council.

- 3.7.** During voting at Annual General Meetings or Extraordinary General Meetings of the Representative Council, employee representatives and employer representatives shall, each collectively, exercise half the votes regardless of the number of representatives in attendance at the meeting. Decisions shall be taken by majority vote except where otherwise stipulated by these Articles of Association. However, a divided voting scheme may be requested, whereby the employer representatives and the employee representatives, each collectively, vote separately and a majority of votes is required in both these bodies of the Council for a resolution to be carried.
- 3.8.** The Annual General Meeting is the supreme authority of the Fund's affairs, unless otherwise provided for by these Articles of Association. All Fund members are entitled to attend meetings with the right to speak and make motions.
- 3.9.** The Fund's Annual General Meeting shall be held before the end of June each year. The Fund's Board of Directors may call an Extraordinary General Meeting when deemed necessary. The Board is obliged to call an Extraordinary General Meeting when requested by a member organisation of the Fund in writing, specifying the business of the meeting. The Board shall call meetings by written notice served to the member organisations of the Fund, with at least four weeks' notice. The Board shall also advertise the meeting in newspapers, radio or by other verifiable means with at least seven days' notice.
- 3.10.** The agenda of the Annual General Meeting shall comprise the following business:
- 3.10.1. The report of the Board of Directors.
- 3.10.2. Presentation and approval of the annual financial statements and an actuarial valuation.
- 3.10.3. Report on the Fund's investment strategy.
- 3.10.4. Election to the Board of Directors in accordance with Article 4. The representatives of trade unions in the Representative Council shall elect members and alternate members to the Board of Directors. The representatives of the employer federations shall report the election by the board of directors of the Confederation of Icelandic Employers of members and alternate members to the Board of Directors. A recess in the meeting shall be called during the election under this item.
- 3.10.5. Election of a certified public accountant, or audit firm. A simple majority of votes in the Representative Council shall determine this decision. In the event of a tie, the matter shall be decided by lot.
- 3.10.6. Motions to amend the Articles of Association of the Fund, when such motions are pending. Motions to amend the Articles of Association shall be governed by the provisions of Article 10.
- 3.10.7. Proposal for remuneration to the members of the Board of Directors.
- 3.10.8. Any other business. Motions for a resolution to be tabled at the Annual General Meeting must be received by the Fund's Board of Directors no later than one week before the meeting.

4. Board of Directors

- 4.1.** The Fund's Board of Directors shall be composed of eight members. Four of the Directors shall be elected by employees and four by employers. The election by the employee representatives shall take place at the Annual General Meeting of the Fund. The election by the employer representatives shall take place as decided by the Fund's member organisations under Article 3.3. Eight alternate Directors shall be elected in the same manner.
- 4.2.** The term of office of Directors is two years, with half of them elected annually; that is two employee representatives and two employer representatives. Alternate Directors shall be elected in the same manner. Directors shall not sit on the Fund's Board for more than eight consecutive years as full members of the fund's board.
- 4.3.** Directors must reside in Iceland, be legally competent, be persons of good repute, must never have been deprived of control over their own financial affairs and must not, during the past five years, in connection with business operations, have been convicted of a punishable offence under the General Penal Code, the Public Limited Companies Act, the Private Limited Companies Act, the Accounting Act, the Annual Accounts Act, the Act on Bankruptcy or tax legislation. Directors who reside in member states of the European Economic Area are, however, exempt from the condition of residence. In addition to the above conditions, Directors shall possess adequate knowledge and professional experience to discharge their duties in a proper and competent manner.
- 4.4.** The Directors allocate tasks among themselves. However, the Chairman of the Board shall be alternately an employer representative and an employee representative, for a term of one year at a time. The Board of Directors shall adopt its own procedures and keep minutes, in which it shall record all its resolutions. For a resolution to be carried, a majority of the Directors must vote in its favour. A Board meeting constitutes a quorum if attended by a majority of the Directors or their alternates. A secret ballot shall be held if one or more Directors so require.
- 4.5.** The Fund's Board of Directors has ultimate authority over its management. The Board shall deliberate on all major decisions regarding the Fund's policymaking and activities. The Board shapes the Fund's internal control and documents control processes, appoints the Managing Director, decides his/her salary and other terms of employment and lays down rules of procedure for the Managing Director. The Board appoints the Head of the Audit Department or an independent auditor to administer internal control. The Board shall formulate the Fund's investment strategy, establish rules on the Managing Director's information disclosure to the Board on activities, pension contributions, the accrual of entitlements and the allocation of the Fund's assets. In addition, the Board shall establish procedures for the securities transactions of the Fund, the Board and employees and obtain confirmation of these procedures by the Financial Supervisory Authority.
- 4.5.1.** The Managing Director has charge of the Fund's day-to-day operations in accordance with a formulated policy and the decisions of the Board. The Managing Director engages the employees of the Fund. The Managing Director exercises the voting rights of the Fund at meetings of limited companies in which the Fund holds shares, unless the Board decides otherwise in individual cases. The Managing Director is not eligible for election to the Fund's Board of Directors. The Managing Director must not engage in business operations except with the Board's prior

approval. The Managing Director's eligibility is otherwise governed by Article 4.3. The Managing Director may only make extraordinary or major decisions on the basis of a specific decision by the Board or in accordance with a plan agreed by the Board. In the event that a major decision cannot be submitted to a Board meeting for approval, the Chairman of the Board, the Vice-Chairman of the Board and other Directors shall be consulted to the extent possible. Such decisions shall then be tabled at the subsequent Board meeting.

- 4.5.2. The Board of Directors grants and revokes the power of the Managing Director and other employees to sign for the Fund ("power of procuracy").
- 4.6.** All major changes in the Fund's organisation, internal control, accounting and financial reporting made by the Managing Director require consultation with, and the prior approval of, the Board of Directors.
 - 4.6.1. The Managing Director is responsible for ensuring that the Fund's accounts are kept in accordance with law and recognised practice. The Managing Director is also obliged to comply with the investment strategy and lending rules adopted by the Board of Directors. At regular meetings of the Board of Directors, the Managing Director shall submit a summary of the Fund's investments, activities and financial position.
 - 4.6.2. The Managing Director shall provide the Board and the Auditor with any information on the Fund's position and activities that they require.
- 4.7.** A member of the Board of Directors or the Managing Director must not take part in proceedings on a matter in which that person has an interest that could be in conflict with the Fund's interests. The same applies to decisions relating to companies in which a member of the Board may have a substantial interest as an owner, director or employee. Eligibility to participate in proceedings on individual matters shall otherwise be governed by the provisions of the Public Administration Act. The persons involved are obliged to report on any circumstances that may entail their ineligibility, in accordance with the aforesaid.
 - 4.7.1. The Fund's Board of Directors, Managing Director and any other parties empowered to represent the Fund must not take any measures that are clearly conducive to unduly benefiting certain Fund members, companies or other parties over and above others, or at the cost of the Fund. They must also maintain confidentiality on any information of which they become aware in the course of their duties for the Fund that may relate to the interests of individuals or businesses or anything else that should by its nature remain confidential. The obligation of confidentiality shall remain in effect upon termination of employment or membership of the Board of Directors.

Section II

Financial matters

5. Accounts and auditing

- 5.1. The Fund's financial year shall be the calendar year. Financial statements shall be prepared in accordance with law, rules and generally accepted accounting principles. Financial statements shall be audited by a certified public accountant.

6. Investment of the Fund's assets

- 6.1. The Fund's Board of Directors shall formulate an investment strategy and invest the Fund's assets with reference to the best terms on offer at any given time, having due regard to return on investment and risks.
- 6.2. The Fund's investments and investment strategy shall be in accordance with the authorisations of law and meet all requirements regarding format and content as stipulated by the mandatory provisions of the Act on Mandatory Guarantee of Pension Rights and the Operations of Pension Funds, currently Chapter VII of Act No. 129/1997, and binding administrative orders at any given time, which apply to all sections of the Fund.
- 6.3. The Fund's Board of Directors shall formulate an investment strategy that establishes criteria for the level of investment in individual asset classes. The investment strategy shall also set out objectives for asset distribution, the maturity of receivables, currency composition, the liquidity of assets and other criteria deemed by the Fund's Board to give the clearest possible picture of the Fund's financial position. The Board of Directors shall present the investment strategy at the Fund's Annual General Meeting, cf. Article 3.10.3. Different sections of the Fund may have different investment strategies.
- 6.4. The Fund's sections shall be financially segregated. Joint costs shall be divided between the sections in a reasonable and unambiguous manner in proportion to their respective scope of activities, in accordance with rules established by the Fund's Board of Directors.
- 6.5. Different securities portfolios may be offered within the Fund's sections, each with a separate investment strategy. The investment strategy and asset composition of individual securities portfolios shall, however, always be within the limits authorised by the Fund's investment strategy, the Fund's Articles of Association and Act No. 129/1997.
- 6.6. The Fund may own real property to house its offices.

Section III

Assignment, regulation and arbitration

7. Prohibition of assignment of and security interests over pensions.

7.1. Pension entitlements are non-assignable and not subject to security interests.

8. Disputes process and arbitration

8.1. A Fund member wishing to dispute a decision by the Fund's Board of Directors on a matter referred by the Fund member to the Board may submit the matter to an Arbitration Panel within three months of notice being given of the decision. The Arbitration Panel shall be composed of three arbitrators, one appointed by the Fund member, another by Stapi Pension Fund and a third, for a decisive vote, by the North-East Iceland District Court. The Arbitration Panel shall issue a ruling on the basis of the claims, evidence, grounds and other information available to the Fund's Board when it made its decision on the matter. Should new claims, evidence and grounds emerge during the procedure before the Arbitration Panel, the case shall be referred back to the Fund's Board for a re-opening. The Fund's Board is then obliged to re-open the case for a decision. The Arbitration Panel shall render its decision within one month from receiving all information on the case. The Arbitration Panel's decision shall be binding upon both parties. The costs shall be divided between the parties to the dispute at the Panel's discretion; however, a Fund member shall not pay more than 1/3 of the costs. Procedures before the Arbitration Panel shall be governed by the Act on Contractual Arbitration.

9. Regulation

9.1. The Financial Supervisory Authority regulates the Fund's activities in accordance with Act No. 129/1997 and Act No. 87/1998.

Section IV

Amendments to the Articles of Association, winding-up and mergers

10. Amendments to the Articles of Association

10.1. Proposals to amend these Articles of Association may be considered only if they have been received by the Fund's Board of Directors at least three weeks before the Annual General Meeting. The Board shall send any proposals to amend the Articles of Association to the Fund's member organisations, for presentation, at least two weeks before the Annual General Meeting. The proposals must also be presented on the Fund's website at least two weeks before the Annual General Meeting. If an amendment proposal aims to increase entitlements or alter the investment strategy in a manner deemed potentially to affect the Fund's ability to pay pensions, it shall be accompanied by an actuarial analysis of the consequences of the change on the Fund's solvency. Amendment motions that may impair the Fund's position to an extent where it may be unable to meet minimum requirements under Act No. 129/1997 or the Agreement between the Icelandic Confederation of Labour and the Confederation of Icelandic Employers, dated 12 December 1995, as amended, shall be dismissed from the Annual General Meeting. Amendment motions shall be laid open for inspection at the Fund's office for two weeks before the Annual General Meeting and this shall be advertised so as to enable Fund members to comment at the meeting.

10.2. The Fund's Board of Directors may amend these Articles of Association without submitting amendment motions to an Annual General Meeting if the amendments result from mandatory provisions of legislation or regulations. The Board may also amend the provisions of Article 6 regarding the Fund's investment powers if amendments are made to Article 36 of Act No. 129/1997. Amendments made on the basis of this Article shall be presented formally at the Fund's subsequent Annual General Meeting.

10.3. Amendments to these Articles of Association shall take effect only if approved by at least 2/3 of the representatives on the Representative Council at an Annual General Meeting and confirmed by the Ministry of Finance.

11. Merger with another fund, agreements on insurance cover and operations

11.1. The Fund's Board of Directors may negotiate with the boards of directors of other pension funds on the Fund's merger with them. The Board shall ensure that the rights of the Fund members are not compromised by the merger and not compensated at the cost of another fund's members. Any merger agreement between the Fund and other pension funds shall require the approval of an Annual General Meeting or an Extraordinary General Meeting in the same manner as amendments to the Fund's Articles of Association.

11.2. The Fund's Board of Directors may sell other funds insurance cover and cooperate with other funds on individual aspects of insurance cover.

- 11.3.** The Board may enter into agreements with the boards of other pension funds to the effect that the Fund will administer their operations, the funds will share office facilities or co-operate on operations and investment. When concluding such agreements, measures shall be taken to ensure that operating costs are divided in a reasonable and unambiguous manner between the parties in accordance with an agreement between the boards of the funds in question. The same applies to the division of gains or losses in case of co-operation on investment.

12. Liquidation of the Fund

- 12.1.** A decision to liquidate the Fund shall require 75% of the votes in both bodies of the Representative Council at an Annual General Meeting or Extraordinary General Meeting of the Fund. In other respects, liquidation of the Fund is subject to the provisions of Chapter X of Act No. 129/1997.

13. Entry into force

- 13.1.** These Articles of Association shall take effect upon their confirmation by the Ministry of Finance.

B. Mandatory Division

Section V

Role, membership and Fund members

14. Role

- 14.1.** The Fund's Mandatory Division provides minimum insurance cover in accordance with the provisions of the Act on Mandatory Guarantee of Pension Rights and collective bargaining agreements, as further provided for in these Articles of Association.

15. Membership and Fund members

- 15.1.** The members of the Fund's Mandatory Division shall be all employees who have reached 16 years of age before the end of the immediately preceding calendar month who are employed in an occupational category whose minimum terms of employment are determined by collective bargaining agreements of the Fund's member organisations under Articles 3.2 and 3.3, cf. the provisions of Article 2 of Act No. 129/1997.
- 15.2.** An employee may become a Fund member even if not employed in an occupation whose minimum terms of employment are determined by the collective bargaining agreements of the Fund's member organisations, provided that the Fund member is not obliged to membership of another pension fund. A person must not be denied membership of the Fund on the basis of health, age, marital status, family size or gender.
- 15.3.** An employee who takes up self-employment may continue to be a member of the Fund's Mandatory Division. An employer in the Fund's geographic area may become a Fund member. With regard to the qualifying period provisions under Articles 19-21 the entitlement accrual period for a person who exercises the right under this paragraph to become a Fund member shall be calculated from the end of the month following the month in which contributions are first received by the Fund. The same applies to individuals employed in an occupation not covered by a collective wage agreement or whose specific terms of employment are not in any way based on collective bargaining agreements, but who nonetheless wish to be members of the Fund's Mandatory Division.
- 15.4.** The Fund's Board may grant membership of the Fund to individuals and self-employed business operators who are not obliged to membership of any particular pension fund. The Fund's Board may also permit organisations and associations that are parties to agreements on the wages and terms of employment of employees who are Fund members to take out insurance from the Fund for those of their employees who are not members of any other pension funds.

- 15.5.** The Fund's Board may grant membership of the Fund to Icelandic employees who are employed abroad, such as seamen who work on board vessels registered abroad, provided that pension entitlement is accrued only for the contributions received by the Fund for those employees.
- 15.6.** Employees or self-employed individuals who become members of the Fund on the basis of Articles 15.2-15.5 shall pay the minimum contribution to the Fund in accordance with the provisions of Articles 16.1-16.3.

Section VI

Contributions and the basis of pension entitlement

16. Contributions

- 16.1.** Contributions to the Fund's Mandatory Division shall be in accordance with a collective bargaining agreement or an employment agreement, shall be no lower than 12% of the wages of Fund members aged between 16 and 70, as specified in Article 16.2 or 16.3, and accrue to insurance cover entitlement in accordance with the provisions of the Fund's Articles of Association. A Fund member may increase his/her contribution to insurance cover from the amount specified by the collective bargaining agreement or employment agreement to a level above the aforesaid minimum, provided that a special written agreement to this effect is concluded between the Fund member and the Fund.
- 16.2.** The minimum contribution under Article 16.1 shall be calculated from the total amount of paid wages and consideration for any type of work, occupation and service. The contribution base shall consist of all types of wages and compensation for work that is taxable under paragraph 1 of point 1 of section A of Article 7 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 intended to cover out-of-pocket expenses, e.g. vehicle allowances, per diem or food allowances. Furthermore, retirement benefits and pensions paid by the Social Insurance Administration or a pension fund, other benefits paid by the Social Insurance Administration, accident and sickness benefits paid by health insurance funds of trade unions, and benefits paid by insurance companies for loss of earnings resulting from injury shall be excluded from the contribution base. The contribution base shall include unemployment benefits as provided for in the Unemployment Insurance Act. If wages are paid on a weekly basis, the monthly settlement shall be based on the weeks, four or five, completed during the month.
- 16.3.** A person's contribution base for work on his/her own business operations or self-employment shall be equal to the amount under paragraph 2 of point 1 of section A of Article 7 of Act No. 90/2003 on Income Tax, cf. Article 58 of that Act.

- 16.4.** Employers must withhold a minimum contribution of 4%, cf. Article 16.1, from each employee's wages and forward these to the Fund on a monthly basis together with the employer's own contribution. The due date for contribution payments for each month is the tenth day of the following month. If payment is not made within that month, penalty interest shall accrue from the due date in accordance with Act No. 38/2001. Employers and persons operating their own businesses must notify the pension fund if they are no longer responsible for the payment of pension contributions as a result of the termination of their activities or employees leaving their employment. Employers and self-employed business operators must submit a contribution report together with the contribution, stating, among other things, the contribution proportions and contributions for each party under a collective bargaining agreement or employment agreement, as well as the contribution percentage and amount payable to mutual insurance. The Fund establishes and issues rules on the format of contribution reports.
- 16.5.** Fund members are not liable for the Fund's obligations beyond their contributions.
- 16.6.** The contributions of a Fund member that an employer has demonstrably withheld but not forwarded to the Fund, including the employer's contribution, shall despite such non-payment count as a fully vested entitlement for the Fund member in question when pensions are determined, provided that the Fund was aware of the non-payment, cf. Articles 16.7 and 16.9. However, the Fund shall not be responsible for the entitlements of Fund members arising from contributions that are lost through bankruptcies and for which the Wage Guarantee Fund is not responsible under Article 10 of Act No. 88/2003.
- 16.7.** Statements of paid contributions shall be sent twice per year to Fund members. The statements shall include a reminder for the Fund member to raise objections without delay if he/she notices any failure to make due and proper payment of contributions. The Fund may send statements to Fund members electronically if they so require. The Fund shall concurrently request, by means of a public advertisement, that all those believing that they have paid contributions to the Fund during the preceding period but not received a statement as outlined above, notify the Fund of the apparent non-payment without delay. If no remarks from the Fund member, confirmed by pay slips, have been received by the Fund within 60 days from the date of the statement or publication of the advertisement, whichever is later, and the Fund was not aware of the contribution claim, the Fund is only responsible for the entitlement arising from these contributions to the extent that they are paid. In addition to this statement, information on the Fund member's accrued and expected pension entitlements, the Fund's activities and financial position and any amendments to its Articles of Association shall be sent at least annually. The same information shall be sent to Fund members who have reached state pension age.
- 16.8.** A final warning shall be sent to the employer if contributions according to his submitted contribution statements have been overdue for three months since the deadline for payment. Formal collection efforts shall commence within 15 days of the final warning or earlier if there are reasonable grounds to consider the contribution claim a doubtful receivable.
- 16.9.** Overdue contributions verifiable with received pay slips shall be collected in the same manner as an employer's contribution reports. The Fund may base its collection efforts on estimates of unpaid

contributions if the employer in question has not submitted contribution reports to the Fund for the period in question.

- 16.10.** All payments from employers, whether received together with a new contribution report or otherwise, shall be allocated to the payment of the oldest unpaid contributions and penalty interest payable by the employer, and accrue towards entitlement accordingly. However, the Fund's Board may derogate from this rule in cases where formal collection of overdue contributions has commenced for a certain period and satisfactory guarantee has been obtained for the payment of contributions, penalty interest and collection costs for the period, and if otherwise stipulated by law, cf. procedures during an employer's moratorium/financial reorganisation. A contribution report is considered to be unpaid until payments received are sufficient for full payment of the contribution report and of penalty interest accrued thereon.
- 16.11.** On the basis of an agreement between a Fund member and his/her spouse, the Fund member may decide that up to one-half of the contributions under Article 16.1 shall accrue to a separate pension entitlement for the spouse, cf. Article 20.6. This division shall be discontinued at the request of the Fund member, provided that he/she presents documents evidencing dissolution of the joint estate with the spouse, or the parties have concluded a new agreement.
- 16.12.** Each year's contribution to the equalisation of the disability burden, cf. Article 18 of the Social Security Contribution Act No. 113/1990, shall be allocated in accordance with the provisions of Article 19 of Regulation No. 391/1998 on Mandatory Pension Insurance and the Operation of Pension Funds and accrue to entitlement in the same manner as a conventional contribution.

17. Basis of pension entitlements

- 17.1.** The pension entitlements of Fund members are calculated in Icelandic kronur (ISK) and determined by the contributions paid to the Fund at any given time as well as by the return on the Fund's assets. Fund members' annual contribution, minus costs is divided into accrual component and insurance component. A legally binding contribution to vocational rehabilitation funds is regarded as cost in this context. The accrual component constitutes the fund member's retirement pension entitlement in accordance with Article 18, whereas the insurance component entitles the member to crisis insurance in accordance with Articles 19-21 as well as entitlements according to Article 17.5-17.7. Crisis insurance is divided into disability pension, spouse pension and child benefits. The proportional division of contributions into accrual component and insurance component depends on the Fund member's age and is stipulated in Table 1 Appendix A. The accrual component of contributions constitutes a contribution fund which earns a return in accordance with the Fund's asset index as provided in Article 17.3. Each member's contribution fund is not a private asset, but calculated as part of those assets which jointly insure Fund members' retirement pension. The contribution fund is not inheritable upon a member's decease. In the event that a Fund member deceases prior to the inception of retirement pension, his/her contribution fund is subsumed into other members' contribution funds, cf. the provisions of Article 17.2. When a member begins receiving a retirement pension, the contribution fund is converted into a monthly pension in accordance with Table II in Appendix A.

- 17.2.** As for the accrual of Fund members' contributions within the year and changes to the contribution fund the following conditions apply:
- a) + Contributions paid to the Fund according to Article 16
 - b) + Compensatory contribution in the event that the right to even accrual exists according to Article 17.5
 - c) – Contribution to vocational rehabilitation fund
 - d) – Contribution towards insurance cover
= Contribution towards accrual
 - e) +/- Index based return on Fund's assets in accordance with Article 17.3
 - f) + Share in contribution fund of deceased Fund members
 - g) +/- Changes due to actuarial audit
= Change to contribution fund in the year
+ Contribution fund at beginning of year
= Contribution fund at end of year

Changes due to actuarial audit relate to amendments in accordance with the provisions of Act 26.3. Otherwise Fund members' retirement pension entitlements are calculated in compliance with the entitlement provisions of Articles 18-20.

- 17.3.** A special asset index shall be calculated which determines net return on the Fund's assets at any particular time. The index shall be calculated each month. The index calculation shall be based on the fair value of assets. The index is adjusted at 100 on 1 January 2016.
- 17.4.** When a contribution is paid, its accrual component shall be added to the contribution fund of the respective Fund member and adjusted in accordance with asset index pursuant to Article 17.3, calculated from the month when the contribution falls due.
- 17.5.** Fund members who have been apportioned a defined reference contribution in accordance with current Articles of Association of Stapi Pension Fund, dating from 16.05.2013, become entitled to a compensatory contribution in addition to the contribution they pay to the Fund up to the maximum which would have resulted from an even entitlement accrual. Compensatory contribution is a proportion of the contribution members pay to the Fund, based on 10% of the contribution base or the reference contribution whichever is lower according to Table V, Appendix A. The same proportion of compensatory contribution as specified in Table 1, Appendix A, accrues to the contribution fund, yielding returns in the same way as other contributions in the contribution fund and earning the same entitlements.
When all contributions of a whole year have been submitted with regard to Fund members who hold a defined reference contribution, their compensatory contribution shall be allocated to individual months in the same proportions as submitted contributions.
- 17.6.** When extrapolating entitlements in compliance with Articles 19-20, this shall be done on the basis of even accrual pursuant to the proportion of Fund members' compensatory contribution out of

the contributions used as a basis for the extrapolation. In the extrapolation, members' reference contributions shall be based on the Consumer Price Index for inflation-indexation as it stands at the reference month of the extrapolation.

- 17.7.** The Fund's Board of Directors may enter into an agreement with other pension funds that have used even accrual in the year 2003, for mutual recognition of contribution payments in the calculation of the reference contribution in accordance with the above. The funds may also maintain a coordinated computer record on the rights of individuals to even accrual and stipulate how that right shall be divided, if contributions are paid to more funds.
- 17.8.** Accrued entitlement, as defined in Articles 18-21 and calculated in accordance with Articles 17.1-17.7, shall be preserved in accordance with the rules in effect at any given time, so that pension payments will be in keeping with the entitlements accrued for each period, having taken into account amendments due to actuarial position. Extrapolation shall each time accord with the rules in effect when the pension entitlement was activated. The pension entitlement total is the sum of accrued entitlement and extrapolated entitlement, if such entitlement has been decided. Extrapolated entitlement is not included with accrued entitlement except to the extent accrued after a decision on extrapolation, cf. Articles 19.13 and 20.5a., in which case the extrapolated portion decreases by that same amount. Any increase in entitlement decided by the Fund's Board shall be separated from other entitlement. An increase in entitlement is not included in extrapolation but is fully included in the calculation of accrued entitlement. Any curtailment in a Fund member's accrued entitlement shall be treated in the same manner as an entitlement increase, except that the curtailment is deducted from the accrued entitlement. A change in entitlements as provided for above shall be entered in the Fund's record of entitlements based on the last month of the period covered by the actuarial audit under Section **VIII** of these Articles of Association, so that the increase or decrease in pension payments takes effect as of the month immediately following the Annual General Meeting, unless the Annual General Meeting decides that it shall take effect at a later date. Changes in entitlement are outlined in Appendix **B**. Furthermore, reference shall be made in Appendix C to older entitlement regulations according to which Fund members may have certain entitlements.
- 17.9.** Where those Articles of Association specify amounts in ISK their value is based on the Consumer Price Index base value of 230, unless otherwise stated in the article in question. Amounts shall be recalculated monthly in compliance with index alterations.

Section VII

Pension entitlements and pension payments in the Mandatory Division

18. Retirement pensions

- 18.1. Fund members aged between 60 and 75 who have entitlements in the Fund under Article 17 are entitled to a life-long retirement pension in accordance with the position of the contribution fund when the pension is activated, as provided for in Article 17.2 and Table II, Appendix A. When commencing retirement pension a Fund member permanently allocates his contribution fund, cf., however, the provisions of Article 18.6.
- 18.2. When determining retirement pension within the year, reference shall be made to the position of a Fund member's contribution fund at the end of the previous year, including amendments to Paragraphs a-e in Article 17.2 dating from that time.
- 18.3. By commencing the drawing of a retirement pension before the age of 67, the Fund member permanently allocates his/her retirement and disability pension entitlements and does not have an independent entitlement to a disability pension thereafter. If the Fund member has accrued additional retirement pension entitlement by making contribution payments after starting to draw a pension, retirement pension shall be reallocated to the Fund member when he/she has reached the age of 67, or if he/she has lost 50% or more of his/her ability to work. In this case the retirement pension entitlement shall be added which the fund member has accrued in his/her contribution fund after he/she commenced drawing a retirement pension. The entitlement includes a spouse pension according to the provisions of Article 20.
- 18.4. Retirement pension entitlements Fund members earn by paying contributions after reaching the age of 67 first become payable for the first month following the subsequent birthday, and then only upon special application by the Fund member. However, retirement pension shall be paid no later than pertaining to the next month following the 70th birthday, in this case without special application. At the age of 70, the pension of a Fund member who began drawing on his pension at age 67 or later shall be reviewed without special application, adding the pension entitlement the Fund member has accrued in the contribution fund after he/she began drawing a pension. The entitlement confers the right to a spouse pension pursuant to Article 20.
- 18.5. A Fund member may decide to start drawing the pension at a 50% rate at any time after reaching the age of 60, in which case he/she is considered to have allocated that portion of the retirement pension, cf. Article 18.3. A Fund member who started to draw the pension in part or in full before reaching the age of 67 may discontinue the drawing of the pension and resume it at a later time, in which case the effects of the deferment on his/her pension entitlement shall be in accordance with the provisions of Article 18.1 on the drawing of a pension, deducting the entitlement the Fund member has already utilised by the drawing of a pension. A Fund member's choice with regard to the drawing of a retirement pension is binding upon the Fund member for at least 12 months at a time.

18.6. Retirement pensions are paid out on a monthly basis in equal instalments until the end of the Fund member's life. Monthly retirement pensions are inflation-indexed and amended in accordance with changes in the Consumer Price Index. Retirement pension entitlement ceases upon death.

18.7. A Fund member may decide to share retirement pension entitlement with his/her spouse in accordance with Article 14 of Act No. 129/1997 on Mandatory Pension Insurance and the Operation of Pension Funds in as follows:

a) In such a way that, before starting to draw the pension, but no later than before reaching the age of 65, and if illness or health problems do not reduce life expectancy, up to one-half of the value of a Fund member's accumulated retirement pension entitlement may be used to provide independent retirement pension entitlement for his/her spouse or former spouse, with a corresponding reduction of the Fund member's entitlement. The total obligations of the Fund shall not be increased by such a decision by the Fund member. Such a division is not permitted unless it is mutual.

b) In such a way, that up to one-half of the Fund member's contributions accruing to retirement pension entitlement accrues to independent retirement pension entitlement for his/her spouse. In allocating contributions for retirement pension, the Fund member's contribution base shall be considered to have been divided between the Fund member and his/her spouse in the same proportion as the contribution. However, the Fund member's disability pension and spouse pension entitlements continue to be based on the undivided contribution base. Such a division is not permitted unless it is mutual.

19. Rehabilitation and disability pension

19.1. A Fund member who suffers incapacity assessed as 50% disability or more with regard to general work is entitled to a disability pension from the Fund in accordance with the position of the contribution fund pursuant to Article 17 and Table III in Appendix A, as well as further provisions of this section. Disability pension allocated in accordance with the stipulations of Article 19.3 is identified as rehabilitation pension during a period of rehabilitation. In other respects this pension is subject to the same conditions as apply to disability pension as set forth in the articles of this section. In addition to accrued entitlements in accordance with the above, the Fund member is entitled to a disability pension on the basis of extrapolation of what his/her entitlements would have become through continued contribution payments, in accordance with the further conditions of this section. The right to extrapolation is conditional on the Fund member:

a) having paid contributions to the Fund for at least three of the preceding four calendar years and at least ISK 60,000 for each of these three years. If the Fund member was in regular part-time employment during the period, the minimum contribution shall be assumed to have been at least ISK 40,000.

b) having paid contributions to the Fund for at least six of the preceding twelve months.

c) having suffered a loss of income owing to the incapacity.

d) not having contributed to the incapacity through abuse of alcohol, medicines or drugs.

If the Fund member changed his/her employment and for that reason commenced payment of contributions to the Fund during the 24 months preceding the incapacity, the right to extrapolation vis-à-vis the Fund does not arise if the change of employment can be traced to deterioration in health that led to the incapacity.

- 19.2.** If the Fund member is unable to meet the condition of Article 19.1 regarding the length of time of contribution payments owing to particular circumstances, such as the age of the Fund member, residence abroad or study, the Fund's Board of Directors may shorten the required length of time to the preceding two calendar years, provided that it is deemed fully certain that the cause of the disability cannot be traced to a time preceding the incapacity. However, if the Fund member has acquired the right to extrapolation, which has then lapsed owing to temporary absence from the labour market for up to 24 months because of work abroad, study, leave of absence, childbirth or comparable reasons, the right to extrapolation shall be reinstated when six months have passed since the Fund member resumed work and payment of contributions to the Fund.
- 19.3.** When assessing an application for a disability pension an effort shall be made to support the Fund member's rehabilitation, so that he may regain the capacity to engage in income generating activities in keeping with his skills and ability to work. The fund's medical advisor or, depending on circumstances, another specialised service provider selected by the Fund, shall estimate whether organised vocational rehabilitation is likely to have the desired effect and whether the Fund member can regain sufficient capacity to work by means of appropriate rehabilitation, and to what extent, calculated in percentages. Under these circumstances, a schedule shall be compiled regarding the rehabilitation and its extent, and the Fund shall allocate the applicant a rehabilitation pension, equal to a disability pension, to which he/she is entitled in accordance with this section of the Fund's Articles of Association. In the event that a rehabilitation pension is allocated it shall be determined for a minimum of six months at a time and up to a continuous period of three years if the rehabilitation has not succeeded earlier. In special circumstances, extended rehabilitation of up to two years is permitted, if the Fund, after consulting its medical advisor, believes continued rehabilitation is likely to lead to further progress.
- The Fund is authorised, after consultation with its medical advisor, to lay down a precondition for the payment of rehabilitation pension, to the effect that the Fund member undertake the advised rehabilitation which could improve his/her state of health. In such a case, it must be ensured that such rehabilitation is on offer and his/her circumstances allow this to be feasible. A reassessment of impaired capacity shall be conducted as required with a view to the success of the rehabilitation. In the event that the Fund, after consulting its medical advisor, is of the opinion that the Fund member's impaired capacity cannot be restored to the extent to allow him/her to regain the capacity to work, in part or wholly, the Fund member shall be allocated a disability pension in place of a rehabilitation pension. The Fund's Board of Directors is authorised to pay a pensioner who participates in rehabilitation programme up to a maximum of an unchanged rehabilitation pension, in accordance with the provisions of this article, during the period of rehabilitation, despite the stipulations of Article 19.4 regarding income examination and Article 19.12 regarding changes in impaired capacity. The Fund can require members to submit regularly certificates from doctors and/or others in charge of treatment to confirm their participation in rehabilitation. In the event that a Fund member refuses to undertake rehabilitation, participates in an unsatisfactory manner, thus not adhering to the rehabilitation schedule or does not submit required certificates, the Fund is authorised to reduce or terminate future pension payments to that Fund member,

calculating them on the basis that the member has achieved the maximum recovery anticipated by the schedule. Disability pension can only be allocated when an assessment by the Fund's medical advisor indicates that rehabilitation is not likely to result in improved capacity for work.

- 19.4.** Entitlement to a disability pension only arises if the Fund member has suffered a loss of income as a result of the incapacity. The combined disability pension and child pension under Article 21 shall never exceed the loss of income verifiably suffered by the Fund member as a result of the disability. The determination of whether a loss of income has occurred shall be based on the Fund member's average income during the four calendar years preceding the incapacity, which is called the "reference income", cf. point (a) of Article 19.6 on extrapolation. The average income for the three calendar years preceding the incapacity may be used when the Fund member has been granted a disability pension before 1 January 2007, cf. also point (a) of Article 19.6. Decisions on pensions shall also specify the total income on which the calculation is based, so as to provide clarity for the Fund member as to the limits on which any income-based reduction of the disability pension is based. The loss of income is deemed to be the difference between the reference income and total income after the disability is assessed, including income from pension and benefit payments from social insurance and pension funds as well as contractual insurance benefits under collective bargaining agreements because of the disability. Reference income under this Article is the Fund member's total income extrapolated using the Consumer Price Index. If this four-year average is unfavourable to the Fund member owing to absence from work on account of sickness, the Fund's Board may use average income extending up to eight years back in time in accordance with the rule under point (a) of Article 19.6. Comparison between the disability pensioner's income and the reference income shall be carried out annually or more frequently. Disability pensioners are obliged to provide the Fund with information on their income as reported to the tax authorities, if requested, including authorising the Fund's access to the Pay-As-You-Earn (PAYE) Register of the Directorate of Internal Revenue at any given time, in electronic form. Pension payments may be deferred or cancelled if the Fund member does not provide the information requested. In the event that a Fund member provides inaccurate or misleading information about his/her income, including income not reported to the Directorate of Internal Revenue, the pension of the Fund member in question may be reduced or cancelled.
- 19.5.** When the conditions of Article 19.1 regarding the duration of contribution payments are met, the maximum disability pension is based on accrued pension entitlement, on the basis of the contribution fund, pursuant to Article 19.1 in addition to a pension equal to the entitlement that the Fund member would have been expected to have accrued through contribution payments up to the age of 65, as calculated in accordance with Article 19.6 and Table IV in Appendix A. Extrapolation pursuant to Article 19.6 differs according to the Fund member's circumstances; however, equivalent extrapolation is always applied to Fund members living in equivalent circumstances. In the event that the Fund member is also entitled to a disability pension from another fund, he/she shall only receive a future pension from this Fund if his/her last contribution payment was to this Fund. cf., however, the provisions of the agreement on relations between pension funds. If a Fund member is entitled to extrapolation, the Pension Fund shall, in parallel with pension payments, register disbursements to the member's contribution fund in accordance with contributions used as a basis for extrapolation, in compliance with Articles 19.6 and 19.8, as well as Table I in Appendix A. The contributions alter in step with disability pension payments.

19.6. If a Fund member who has not reached the age of 65 at the onset of incapacity has a right to extrapolation of entitlements under Article 19.5, the extrapolation shall be governed by points a-e of this Article, as applicable to each Fund member individually:

a. Regular contribution payments

If contribution payments to this Fund and/or other pension funds have been regular, extrapolation shall be applied on the basis of the Fund member's calculated average contributions for the four calendar years immediately preceding the onset of incapacity in order to assess the future loss of income in accordance with Article 19.5. If the Fund's Board of Directors has reasonable cause to believe that this four-year average does not reflect routine payments, it may base the extrapolation on contribution payments over a period extending eight years back in time. The calculation of the average contribution for this period shall neither take account of the year in which the contributions were lowest nor the year in which they were highest; thus, the average contribution shall be calculated from the contributions paid during the remaining six years. In the event that a fund member has paid contributions for less than eight years calculations shall be based on the number of years in question. The Fund member's pension entitlement through extrapolation is determined as equal to the entitlements this average contribution, paid until the age of 65, would have accrued to him/her according to Table IV in Appendix A. If the average contribution amounts to more than ISK 320,000, the extrapolation shall be based on this average for up to 10 years; but thereafter and up to the age of 65, instead of the average, an annual contribution of 320,000 shall be calculated. Those limits to amounts with regard to extrapolation shall apply to all types of extrapolation in accordance with this article (points a-e).

b. Altered criteria owing to change of employment

If, before sustaining the incapacity, the Fund member left the employment on which his/her contributions were based, so that his/her income history is not deemed by the Fund's Board to provide a credible indication of his/her future income loss, the Board may base the valuation of income loss pursuant to Article 19.5 on the applicant's estimated future income in new employment with a weighting of one-half against the calculation provided for in point (a), which shall then have a weighting of 50% in the calculation of income reference for extrapolation.

c. Irregular contribution payments

If the Fund member's contribution payments to pension funds have been so irregular as to have been cancelled or lower than ISK 42,000 for more than one calendar year after the end of the year in which the Fund member reached the age of 25, the extrapolation time used to calculate the loss of income pursuant to Article 19.4 shall be shortened by the ratio between the number of calendar years that the annual contribution payments were lower than ISK 42,000 and the number of calendar years from the age of 25 until the incapacity was sustained. The same applies if the irregularity of contribution payments stems from evasion of payment obligations to the pension fund.

d. Reduced ability to work prior to the contribution payments to the Fund If the Fund member had impaired general work ability before he/she started to pay contributions to the Fund, and this reduced ability to work may be assessed at 50% or more, future entitlements shall be assessed according to Article 19.5, and the average of the contributions for all calendar years that

he/she paid contributions shall be calculated. The extrapolation shall then be based on this average.

e. *Diseases existing when contributions were paid*

If diseases that caused the Fund member's incapacity can be traced so far back in time as to extend over at least half of the calendar years that elapsed from the end of the year in which the Fund member reached 16 years of age until the time that the incapacity is deemed to have occurred, the entitlement extrapolated to meet the loss of income pursuant to Article 19.5 shall never be calculated as exceeding the entitlement that the Fund member had accrued in the pension fund up to the onset of incapacity. The assessment of diseases in this context shall be based on a broad classification of diseases (super-classes).

- 19.7.** If the Fund member pays contributions after being declared disabled and during the disability, whether to the Fund, other pension funds or the Social Insurance Administration, such contributions do not accrue towards a disability pension, except pro rata to the extent by which the declared incapacity is lower than 100%, provided that the cause of the disability is different than previously declared. In cases where the cause of the disability is one and the same, the said contributions do not accrue towards a disability pension.
- 19.8.** The amount of the disability pension shall equal the same percentage of the maximum disability pension as the assessed degree of incapacity, cf., however, Article 19.1.
- 19.9.** Disability pensions are not payable for the first three months following incapacity. A disability pension is not paid if the incapacity lasts for less than six months.
- 19.10.** The percentage of incapacity and its timing shall be determined after receiving retrospective information on the applicant's medical history and ability to work in accordance with rules on disability assessment, cf. Article 19.11. The assessment of reduced ability to work is a medical assessment and shall be based on changes in the Fund member's health since he/she started paying contributions to the Fund. For the first three years after the onset of incapacity, the disability assessment shall be based primarily on the Fund member's inability to perform the duties of the position that he/she has held and is linked to his/her membership to the Fund, provided that the disability for general work is assessed at 50% or more. After the first three years, the incapacity shall be reassessed solely on the basis of the Fund member's inability to perform general work, new information on his/her health and work and the results of rehabilitation efforts. The incapacity shall then be reassessed as deemed necessary by the Fund's Board of Directors. Reduced ability to work that predates the time that the Fund member started to make payments to the Fund does not accrue to a disability pension from the Fund, even if the Fund member did not receive a disability pension for that reduction in ability.
- 19.11.** Disability assessments shall be performed by the Fund's medical advisor, consulting physician or a panel of experts with professional expertise in the field. Disability assessment shall be based on medical grounds and follow the established rules on disability assessment. When assessing incapacity, particular account shall be taken of the applicant's functional capacity and ability to

work and his/her chances of recovery and regaining work fitness through proper rehabilitation. A disabled person who applies for a disability pension from the Fund or receives such a pension is obliged to provide the Fund with all information relating to his/her health needed to determine his/her right to a pension and, if necessary, undergo a medical examination by the Fund's medical advisor or another doctor or health professional referred to by the Fund. If sufficient information and data are not received from the Fund member and he/she does not comply with the Fund's instructions in this regard, the Fund member's application shall be dismissed and thereby considered invalid. The same applies if satisfactory information is not provided during reassessment of disability, cf. Article 19.10.

19.12. The Fund's Board of Directors shall reduce or cancel the disability pension of disabled persons who regain their ability to work in part or in full. By the same token, the Board shall increase the disability pension if the degree of disability increases significantly, without self-infliction, from its assessed level when previous decisions were made, provided that during the period that the degree of disability increased, the Fund member was not in employment that accrued pension entitlement in another pension fund.

19.13. A disability pension ceases to be payable at the age of 67 and, similarly, if the Fund member's ability to work or his/her income increases to a level where the conditions of Article 19.1 are no longer met. At the age of 67 a Fund member shall be allocated a pension corresponding to the position of the contribution fund and Table II in Appendix A.

Any retirement pension relinquished under Articles 16.1 and 18.7 shall then be deducted from the Fund member's retirement pension thus calculated.

20. Spouse pension

20.1. Upon the death of a Fund member who paid contributions to the Fund's Mandatory Division, at least one of the following conditions apply; he/she:

a) received an retirement or disability pension from the Fund's Mandatory Division

b) had paid contributions to the Fund's Mandatory Division for at least 24 of the preceding 36 months

c) had paid contributions to the Fund's Mandatory Division for at least 6 of the preceding 12 months and is survived by a spouse, the surviving spouse shall be entitled to a pension from the Fund for such time as the conditions of Articles 20.3, 20.4 or 20.5 are met.

20.2. A full spouse pension shall always be paid for 36 months and a one-half spouse pension for an additional 24 months, even if the conditions of Articles 20.3, 20.4 or 20.5 are not met, provided that the joint estate was not dissolved before the death.

20.3. If the Fund member is survived by one or more children younger than 20 years whom he/she had with the surviving spouse, a spouse pension shall be paid until the youngest child reaches 20 years of age. The same applies if the spouse has a dependent child who was previously a dependant of the Fund member. An adoptive child gives the same entitlement.

- 20.4.** If the Fund member's spouse is at least 50% disabled, a spouse pension shall be paid during the disability, but no longer than until the spouse reaches the age of 67, provided that the surviving spouse is younger than 65 upon the death of the Fund member.
- 20.5.** Spouse pension entitlement is always 50% of the Fund member's retirement or disability pension, whichever gives a higher entitlement at the time of death. This is based on all retirement pension entitlements accrued by the Fund member, which means that any entitlement relinquished by the Fund member pursuant to Article 18.7 (on the division of retirement pension entitlement) is not deducted. If the death also provides the surviving spouse with entitlement to a pension from another fund, he/she shall receive a pension from this Fund on the basis of future time only if contributions were last paid to this Fund. The accrued entitlements of pensioners' spouses shall each time amount to the entitlements accrued at the time of the first decision on the spouse pension plus entitlements arising from:
- a) extrapolated entitlements pro rata to the spouse pension's percentage of the maximum spouse pension at each time.
 - b) the increase or reduction of entitlements that may have been allocated after the drawing of the spouse pension began.
 - c) if the deceased received a disability pension from the Fund, any entitlement accrued by the disability pensioner after the assessment of disability is also added.
- 20.6.** A Fund member's spouse under this Article shall be any person married to or in cohabitation equivalent to marriage with the Fund member at the time of death, provided that the joint estate was not dissolved before the death. "Cohabitation" shall mean the cohabitation of two individuals who have a joint legal residence, are in a conjugal relationship, have a child together or the woman is pregnant or the cohabitation has been uninterrupted for at least two years. Entitlement to a spouse pension is cancelled if the spouse remarries or commences cohabitation equivalent to marriage, but is reinstated if the latter marriage or cohabitation is dissolved without entitlement to a pension.

21. Child pension

- 21.1.** Upon the death of a Fund member, his/her children and adopted children aged below 18 are entitled to a child pension from the Fund, as further stipulated in this section, provided that the deceased:
- a) paid contributions to the Fund for 24 of the 36 months preceding the death or 6 of the preceding 12 months or
 - b) received a retirement or disability pension from the Fund of at least ISK 10,000 per month.

When determining whether the above conditions are met, the Fund's Board of Directors may take account of the substantive rule of Article 19.2.

Any foster children and stepchildren mostly or wholly dependent on the Fund member before the onset of incapacity shall also be entitled to a child pension. The Fund's pension payments for such children shall be in the same amounts as would be payable for biological or adopted children.

Upon the adoption of a child of a foreign nationality who is resident abroad, the time limits under this section shall be based on the date of issue of a valid acceptance or preliminary approval by the Ministry of Justice instead of the date of the adoption permit.

A child pension is paid to the child of a deceased Fund member in accordance with further provisions of this Article.

- 21.2.** If the Fund member during the reference period under Article 21.1 paid a contribution based on a very low average contribution base i.e., ISK 50,000 or lower, the child pension shall be reduced proportionately, until cancelled, if the contribution base was lower than one-half of the above reference.
- 21.3.** If the death also entitles the children to a pension from another pension fund, the pension from this Fund shall be subject to the condition that the Fund member last paid contributions to this Fund.
- 21.4.** The child pension for a deceased Fund member's child is ISK 7,500 per month. These amounts shall change in proportion to changes in the Consumer Price Index with a base level of 173.5. A child pension is payable until the child reaches 18 years of age.
- 21.5.** A child pension is also paid for the children of a Fund member receiving disability pensions from the Fund, provided that they were born or adopted before the incapacity arose or during the 12 months immediately following thereafter. If the Fund member's disability is assessed as lower than 100%, the child pension shall be proportionately lower. A child pension paid because of a Fund member's disability does not cease upon the Fund member reaching retirement pension age. A child pension paid for the child of a Fund member receiving a disability pension is disbursed to the Fund member in accordance with further provisions of this Article.
- 21.6.** In the same manner, the child pension for the children of disability pensioners shall be reduced proportionately if their entitlements are so limited that the pension is lower than ISK 20,000 per month, and the payment of a child pension shall be cancelled if the disability pension of the Fund member is lower than ISK 10,000 per month.
- 21.7.** Any foster children and stepchildren mostly or wholly dependent on the Fund member before the onset of incapacity shall also be entitled to a child pension. The Fund's pension payments for such children shall be in the same amounts as would be payable for biological or adopted children. Upon the adoption of a child of a foreign nationality who is resident abroad, the time limits under this section shall be based on the date of issue of a valid acceptance or preliminary approval by the Ministry of Justice instead of the date of the adoption permit.
- 21.8.** The full child pension for the child of a disability pensioner is ISK 5,500 per month. These amounts shall change in proportion to changes in the Consumer Price Index with a base level of 173.5. A child pension is payable until the child reaches 18 years of age. The transition from a disability pension to a retirement pension does not affect the payment of child pension.

22. Contributions lapse

- 22.1.** In the event that a Fund member's salary payments lapse owing to illness, the Fund member does not accrue entitlement during such a situation. Any periods during which contribution payments have verifiably lapsed for such reasons are not included in the determination of whether conditions regarding the length of time of contributions are met.
- 22.2.** Entitlement to a retirement, disability and spouse pension is not cancelled although the Fund member discontinues contribution payments. In such cases, entitlement is based solely on the preserved accrued entitlement, cf., however, Article 22.1.

23. Repayment of contributions

- 23.1.** Upon application, contributions may be repaid to foreign citizens who leave the Fund owing to migration from the country, provided that the Fund member requests such repayment, the repayment is not prohibited under international agreements to which Iceland is a party, or the person in question was an Icelandic citizen during the period when the entitlements accrued. Costs relating to insurance cover enjoyed by the Fund member and administration costs as assessed by an actuary, plus interest, may be deducted from repaid contributions. Repayment of contributions to citizens of other member states of the European Economic Area (EEA) is not permitted. Upon repayment to a Fund member in accordance with this Article, all claims of the Fund member in question against the Fund are cancelled with respect to the repaid contributions.
- 23.2.** In case of contributions paid to the Fund for employees who have not reached 16 years of age or who have reached 70 years of age, cf. Articles 16.1 and 17.4, the Fund shall repay to the Fund member and employer in question their respective contributions, in which event no entitlement accrues in the Fund from these contributions. The repayment shall take place at least twice per year, cf., however, the provisions of Article 23.3.
- 23.3.** The Fund may transfer contributions paid to the Fund for persons younger than 16 years or older than 70 years into an account held by the Fund member in question in the Fund's Voluntary Division. In such cases, both the Fund member's contribution and the employer's contribution shall be paid into the Fund member's account. The Fund member in question shall be informed of such an arrangement and be entitled to withdraw such payments from the Voluntary Division for up to five years from the time that such an arrangement is made. If no application is made for such repayment within that period, any repayment shall be governed by the general provisions for the Voluntary Division.

24. Transfer of entitlement, lapse of membership and agreements on mutual entitlements

- 24.1.** Contributions and the entitlements they accrue may be transferred between pension funds when the pension is drawn. Membership to the Fund's Mandatory Division lapses when the Fund member is paid his/her entitlements in a lump sum or when they are transferred to another pension fund in accordance with the rules on relations between pension funds. The person who

held the entitlements then ceases to be a Fund member, provided that he/she is not a member of any other division of the Fund.

- 24.2.** The Fund's Board of Directors may enter into agreements with other pension funds on the arrangement of entitlement transfers, etc. Such agreements may derogate from the qualifying period and benefit provisions of these Articles of Association for the purpose of preventing the cancellation of entitlements when a Fund member changes employment and preventing double insurance of entitlements not based on the duration of past contribution payments. Such agreements may also stipulate that independent entitlements in individual funds shall in total not exceed what the total entitlements would have been within one and the same fund.

25. The administration of pension payments

- 25.1.** Pension payments from the Fund are determined on the basis of an application made using application forms from the Fund. The applicant must provide the Fund with all information necessary for the Fund to determine the pension in accordance with the Fund member's entitlements pursuant to these Articles of Association. If the applicant fails to provide the Fund with the required information, the Fund may dismiss the application which is thereby invalidated. Pensioners are also obliged to inform the Fund of any changes in their situation which may affect entitlement to payment of a pension or its amount. These provisions shall be specified in notices to applicants regarding the determination of pensions and in pension statements.
- 25.2.** An applicant who wilfully submits inaccurate information in a manner conducive to increasing the applicant's pension payments beyond the level to which he/she is entitled may be subject to loss of his/her entitlements. The same applies to a pensioner who wilfully conceals from the Fund changes in circumstances that affect pension entitlement.
- 25.3.** Pensions are payable 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 lapses. The Fund's Board shall never be obliged to determine a pension for a longer retrospective period than two years, calculated from the beginning of the month in which the application is received by the Fund, provided that the application has been determined as valid cf. the stipulations of Article 25.1. A decision pursuant to the above shall be based on the entitlement rules as they stand at the time of the application's submission to the Fund, and the pension shall be paid in accordance with the price levels of each period. Interest or inflation-indexation is not payable on pension payments retrospectively. However, a pension arising from an application for the drawing of a retirement pension before reaching the standard retirement pension age, cf. Article 18.3, first becomes payable from the beginning of the month in which the application is received by the Fund. The Fund's Board may pay a pension as a lump sum to Fund members resident abroad, provided that the Fund is deemed to have difficulty obtaining information on the circumstances of the Fund member in question that is necessary for the payment of a regular, monthly pension. In such cases, the Fund's Board shall be permitted to make the payment in a single transaction in accordance with rules consistent with the proposals of an actuary.
- 25.4.** If new information emerges necessitating a retroactive change to a decision, so that the pensioner must be paid a higher pension than assumed in a previous decision, the adjusted pension

shall be paid inclusive of inflation-indexation in accordance with the Consumer Price Index up to the time of its payment. Interest is not payable on adjusted pension payments. This also applies to adjustments arising from changes to a decision based on the conclusion of an Arbitration Panel in accordance with the provisions of Article 8 or of general courts of law.

- 25.5.** If a pension payment is lower than ISK 2,500 per month, and it is foreseeable that a consolidation with other entitlements will not take place, the Fund's Board may make the payment in a single transaction in accordance with rules consistent with the proposals of an actuary.

Section VIII

Actuarial valuations

26. Actuarial valuation

- 26.1.** The Fund's Board of Directors shall annually have the Fund's financial position calculated, the results of which shall form part of the Fund's financial statements at each year-end. The results of the actuarial valuation shall state the cost of entitlements the Fund is obliged to provide, cf. the provisions of Article 2.3. The valuation shall be performed by an actuary or another professional recognised by the Financial Supervisory Authority for such a task. The actuarial valuation shall be submitted to the Financial Supervisory Authority before 1 July each year.
- 26.2.** The Fund's net assets for pension payments, together with the present value of future contributions, shall be equal to the present value of expected pensions arising from contributions already paid and future contributions. A schedule of future contributions and expected pensions shall be based on the Fund membership at the time of reference used in the actuarial valuation. The Fund's future pension promises, as presented in Tables 1-V in Appendix A, shall be reviewed annually and modified if the Fund's actuarial assumptions so warrant, cf. the provisions of Article 17, whereas changes to accrued entitlements are in other respects governed by the provisions of Article 26.3.
- 26.3.** If an actuarial valuation reveals larger discrepancies between the Fund's assets and its pension obligations, pursuant to Article 26.2, than authorised in Paragraph 2, Article 39 of Act No. 129/1997, the Fund's Board shall, after consulting an actuary, prepare proposals for necessary amendments to the Fund's Articles of Association. The Board of Directors is also authorised, after consultation with the Fund's actuary and on the basis of accepted actuarial premises, to propose amendments to a Fund member's accrued pension entitlement, although there is less discrepancy between assets and liabilities than stipulated in the statutory provision indicated above. Those proposals shall be submitted for acceptance to the Fund's Annual General Meeting.
- 26.4.** In the event that an actuarial valuation reveals that the Fund's financial position is so weak that remedial action must be taken, and there is reason to believe, based on the actuarial premises, that its assets will not be sufficient to cover obligations in step with the entitlements that the Fund aims

to provide, cf. Article 2.3, the Fund's Board shall call an Extraordinary General Annual Meeting as soon as possible and no later than within six months from the time that the result of the actuarial valuation became available. At the meeting, the Board shall submit motions to merge with another mutual insurance fund or close the Fund. In addition, the Board shall submit motions regarding the choice of the pension fund with which the Fund members' pension entitlements shall be ensured. The motions shall be dealt with in the same manner as motions to amend the Fund's Articles of Association.

C. Voluntary Division

Section IX

Membership and contributions

27. Agreement on pension savings, membership and lapse of membership

- 27.1.** Those wishing to pay contributions to the Voluntary Division must enter into a special agreement with the Fund to this effect. The agreement shall specify all terms and conditions regarding the insurance cover, and state that these are in conformity with the Fund's Articles of Association. Such agreements shall be concluded in accordance with the provisions of Act No. 129/1997 and Regulation No. 698/1998.

An individual who pays contributions, has paid contributions or for whom contribution payments are made into Stapi Pension Fund's Voluntary Division is considered a beneficiary for the purposes of the provisions applying to the Division.

- 27.2.** Beneficiaries must not transfer, pledge as a security interest or otherwise dispose of credit balances or entitlements under an agreement on pension savings. However, an arrangement may be agreed upon in accordance with points 1-3 of Article 14 of Act No. 129/1997 on the division of the entitlements between the beneficiary and his/her spouse.
- 27.3.** An agreement of the above type shall be cancellable with two months' notice. The cancellation of an agreement on voluntary pension savings or supplementary insurance cover does not entitle the beneficiary to disbursement of credit balances or entitlements.
- 27.4.** After cancelling the agreement, the beneficiary may transfer his/her credit balance or entitlements between depositaries against payment of the cost charged by the Fund for such transfer. Such transfer shall be limited to parties that are able to offer an agreement on supplementary insurance cover, cf. paragraph 3 of Article 8 of Act No. 129/1997.
- 27.5.** If the party cancelling the agreement does not make payments to the Fund's Mandatory Division for minimum insurance cover, the cancellation of the agreement does not take effect until the party cancelling the agreement has verifiably reported the cancellation to the pension fund receiving his/her contributions for minimum insurance cover, as the agreement concerns the allocation of minimum contributions under Article 2 of Act No. 129/1997.
- 27.6.** This agreement shall lapse if the beneficiary leaves the employment which is the premise of his/her payments to Stapi Pension Fund's Voluntary Division, unless the beneficiary asks to continue making payments to the scheme.

28. Contributions

- 28.1.** Fund members who make payments to the Mandatory Division may pay a contribution to the Voluntary Division in addition to the minimum contribution under Article 16.1. Such a contribution is called a supplementary insurance cover contribution. The Voluntary Division may also receive supplementary insurance cover contributions from individuals purchasing minimum insurance cover from other pension funds and the voluntary portion of the minimum contribution from individuals when the minimum insurance cover is composed of a voluntary portion and a mandatory portion in accordance with the provisions of Act No. 129/1997.
- 28.2.** The employer shall withhold the employee's contribution in accordance with the agreement on pension savings and deliver it together with the employer's own contribution to the Fund. Payments shall commence no later than two months after the signing of this agreement. The payment period for each contribution shall be no longer than one month and the due date shall be the tenth day of the month following the wage month. The deadline for payment shall be the last day of the same Month.
- 28.3.** Contributions, the payment of which is the responsibility of the beneficiary because of his/her own business operations, shall be paid in the same manner, unless otherwise specified in the savings agreement between the parties.
- 28.4.** A statement of paid contributions and their return on investment shall be sent to paying beneficiaries at least twice per year.
- 28.5.** In the event that contributions under current savings agreements fall into arrears, they shall be collected from the employer in the same manner as contributions to the Fund's Mandatory Division; the provisions of Articles 16.8 and 16.9 also apply to the collection of contributions to the Fund's Voluntary Division. Contributions paid after the deadline for payment shall be payable with penalty interest accruing from the due date.

Section X

Pension entitlements and pay outs in the Voluntary Division

29. Pension entitlements

- 29.1.** Each beneficiary's entitlements in the Voluntary Private Pension Scheme shall accrue in accordance with his/her contribution payments. Pension entitlements are based on contributions paid and the return on their investment. Entitlements arising from payments are based on the payment date.
- 29.2.** A private account shall be maintained for the contributions of each beneficiary in the Fund's Voluntary Division. Different securities portfolios may be offered, from which beneficiaries may choose. If different securities portfolios are offered, the portfolio selected shall be specified in the beneficiary's agreement on voluntary pension savings. The Fund's Board shall formulate an investment strategy for the portfolios offered by the Fund, which shall be within the limits specified in Article 6. In addition to the beneficiary's contributions, his/her private account shall accumulate

interest in accordance with the return on the portfolio selected by the beneficiary, less the cost of administration and management of the division.

29.3. Upon receipt of a written request to such effect by the Fund member in question, the Fund may deduct from his/her paid contributions an amount corresponding to a life and health insurance premium. The Fund shall be a party to an agreement on the purchase of such insurance. Benefits in accordance with such insurance coverage shall be paid into the voluntary division account of the beneficiary in question. Pay outs shall be governed by the provisions of Chapter II of Act No. 129/1997.

30. Pension pay outs

30.1. A beneficiary may start to draw on the credit balance or enter into a special withdrawal agreement two years after the first contribution payment for the acquisition of pension entitlement in a voluntary division account, but not before the beneficiary has met the additional requirements under Articles 30.2, 30.3 or 30.4.

30.2. A beneficiary who has reached a full 60 years of age is entitled to disbursement of his/her credit balance.

30.3. Should the beneficiary suffer incapacity assessed at 100%, he/she is entitled to disbursement of his/her credit balance with even payments over a period of at least seven years or the time remaining until the beneficiary will reach the age of 60 years. Should the disability be assessed at less than 100%, the annual disbursement shall be reduced in proportion to the disability percentage and the period of withdrawal lengthened accordingly.

30.4. Upon the death of the beneficiary, his/her credit balance in the Voluntary Division shall be inherited by his/her heirs and be divided amongst them in accordance with the rules of the Inheritance Act.

Adopted at the Fund's Annual General Meeting on 29 April 2015

Appendix A

TABLE I The proportional division of contributions for the accrual of retirement entitlements, on the one hand, and insurance cover, on the other. The table shows the ratio of contributions allocated to insurance cover, cf. Article 17.1. The remainder of the contributions is assigned to the accrual of retirement entitlements.

| Age | Ratio | Age | Ratio | Age | Ratio | Age | Ratio | Age | Ratio |
|-----|-------|-----|-------|-----|-------|-----|-------|-----|-------|
| 16 | 36.5% | 27 | 41.1% | 38 | 36.9% | 49 | 27.9% | 60 | 13.7% |
| 17 | 37.3% | 28 | 41.0% | 39 | 36.2% | 50 | 27.0% | 61 | 11.7% |
| 18 | 38.1% | 29 | 40.9% | 40 | 35.4% | 51 | 26.1% | 62 | 9.5% |
| 19 | 38.8% | 30 | 40.7% | 41 | 34.6% | 52 | 25.1% | 63 | 7.1% |
| 20 | 39.4% | 31 | 40.4% | 42 | 33.8% | 53 | 24.0% | 64 | 4.7% |
| 21 | 39.9% | 32 | 40.1% | 43 | 33.0% | 54 | 22.9% | 65 | 3.3% |
| 22 | 40.2% | 33 | 39.7% | 44 | 32.2% | 55 | 21.7% | 66 | 3.0% |
| 23 | 40.6% | 34 | 39.2% | 45 | 31.4% | 56 | 20.4% | | |
| 24 | 40.8% | 35 | 38.7% | 46 | 30.5% | 57 | 19.0% | | |
| 25 | 40.9% | 36 | 38.2% | 47 | 29.7% | 58 | 17.4% | | |
| 26 | 41.0% | 37 | 37.5% | 48 | 28.8% | 59 | 15.6% | | |

TABLE II The conversion of the contribution fund to retirement pension. The table shows how each ISK 100,000 in the contribution fund is converted to a monthly pension, based on a fund member's age at the start of retirement pension.

| Age | Pension | Age | Pension | Age | Pension |
|-----|---------|-----|---------|-----|---------|
| 60 | 513 | 66 | 617 | 71 | 731 |
| 61 | 528 | 67 | 639 | 72 | 759 |
| 62 | 543 | 68 | 659 | 73 | 790 |
| 63 | 560 | 69 | 682 | 74 | 823 |
| 64 | 578 | 70 | 705 | 75 | 859 |
| 65 | 597 | | | | |

TABLE III Conversion of contribution fund to disability pension. The table shows a Fund monthly disability pension per each ISK 100,000 in his/her contribution fund.

| Age | Pension | Age | Pension | Age | Pension | Age | Pension | Age | Pension |
|-----|---------|-----|---------|-----|---------|-----|---------|-----|---------|
| 16 | 4,119 | 27 | 2,809 | 38 | 1,912 | 49 | 1,294 | 60 | 857 |
| 17 | 3,979 | 28 | 2,713 | 39 | 1,846 | 50 | 1,248 | 61 | 824 |
| 18 | 3,843 | 29 | 2,620 | 40 | 1,782 | 51 | 1,203 | 62 | 792 |
| 19 | 3,711 | 30 | 2,530 | 41 | 1,720 | 52 | 1,160 | 63 | 760 |
| 20 | 3,584 | 31 | 2,443 | 42 | 1,661 | 53 | 1,118 | 64 | 729 |
| 21 | 3,462 | 32 | 2,359 | 43 | 1,603 | 54 | 1,078 | 65 | 698 |
| 22 | 3,343 | 33 | 2,278 | 44 | 1,547 | 55 | 1,038 | 66 | 669 |
| 23 | 3,229 | 34 | 2,200 | 45 | 1,493 | 56 | 1,000 | | |
| 24 | 3,119 | 35 | 2,124 | 46 | 1,441 | 57 | 963 | | |
| 25 | 3,012 | 36 | 2,051 | 47 | 1,390 | 58 | 927 | | |
| 26 | 2,909 | 37 | 1,980 | 48 | 1,341 | 59 | 892 | | |

TABLE IV. A table showing entitlements relating to the extrapolation of disability and spouse pension. The table indicates entitlement to monthly pension with respect to each monthly contribution of ISK 10,000 on which extrapolation is based.

| Age | Pension | Age | Pension | Age | Pension | Age | Pension | Age | Pension |
|-----|---------|-----|---------|-----|---------|-----|---------|-----|---------|
| 16 | 71,454 | 26 | 47,277 | 36 | 30,599 | 46 | 17,786 | 56 | 7,589 |
| 17 | 68,513 | 27 | 45,358 | 37 | 29,178 | 47 | 16,658 | 57 | 6,686 |
| 18 | 65,710 | 28 | 43,505 | 38 | 27,792 | 48 | 15,556 | 58 | 5,802 |
| 19 | 63,041 | 29 | 41,714 | 39 | 26,438 | 49 | 14,479 | 59 | 4,933 |
| 20 | 60,493 | 30 | 39,981 | 40 | 25,116 | 50 | 13,426 | 60 | 4,078 |
| 21 | 58,056 | 31 | 38,302 | 41 | 23,824 | 51 | 12,398 | 61 | 3,238 |
| 22 | 55,723 | 32 | 36,673 | 42 | 22,561 | 52 | 11,393 | 62 | 2,410 |
| 23 | 53,485 | 33 | 35,091 | 43 | 21,327 | 53 | 10,410 | 63 | 1,595 |
| 24 | 51,335 | 34 | 33,554 | 44 | 20,120 | 54 | 9,449 | 64 | 791 |
| 25 | 49,268 | 35 | 32,057 | 45 | 18,939 | 55 | 8,509 | | |

TABLE V The entitlement to a compensatory contribution of Fund members who allocated a reference contribution. The table shows the entitlement to a contribution as a ratio (%) of paid contributions, based on a 10% contribution, or a contribution whichever is lower.

| Age | % | Age | % | Age | % | Age | % |
|-----|--------|-----|-------|-----|-------|-----|-------|
| 36 | -13.3% | 44 | 4.4% | 52 | 25.4% | 60 | 46.6% |
| 37 | -11.1% | 45 | 6.8% | 53 | 28.2% | 61 | 48.8% |
| 38 | -9.0% | 46 | 9.2% | 54 | 31.0% | 62 | 51.1% |
| 39 | -6.8% | 47 | 11.8% | 55 | 33.8% | 63 | 53.3% |
| 40 | -4.6% | 48 | 14.4% | 56 | 36.6% | 64 | 55.7% |
| 41 | -2.4% | 49 | 17.1% | 57 | 39.2% | 65 | 60.0% |
| 42 | -0.2% | 50 | 19.8% | 58 | 41.8% | 66 | 67.1% |
| 43 | 2.1% | 51 | 22.6% | 59 | 44.2% | | |

Appendix B

- i. The accrued entitlements of members of the North Iceland Pension Fund were raised by 2.75% in accordance with a resolution by the Fund's Board of Directors 9 March 2007. The purpose of this increase was to coordinate the entitlements of members of the North Iceland Pension Fund and the East Iceland Pension fund due to the merger of the two funds.

- ii. After the Annual General Meeting in 2011 the following amendments were made to members' entitlements:

Accrued entitlements were lowered by 6%. The entitlements so affected were based on contributions for the year 2010 and previous years.

Future entitlements were reduced in such a way that future assets and liabilities balanced each other out, amounting to approximately 7.9% of future liabilities. Future contribution for the equalisation of disability burden was assessed at current value, thus increasing future assets by 6%. Future entitlements were similarly increased. The above measures are equivalent to a 2.5% reduction in future liabilities, based on the situation as it was before the amendments took effect.

The above amendments shall take effect from the beginning of the month following the confirmation of the Articles of Association by the Ministry of Finance.

- iii. After the Annual General Meeting in 2012 the following amendments were made to entitlements:

Accrued entitlements were reduced by 7.5%, based on entitlements arising from contributions for 2011 and previous years.

The above amendments shall take effect from the beginning of the month following the confirmation of the Articles of Association by the Ministry of Finance.

- iv. The Fund's Annual General Meeting in 2015 decided to adopt a new system of entitlements. The new system is based on the principle that instead of entitlements accruing from a certain table of entitlements, contributions are divided into accrual component and insurance component. The accrual component of the contribution forms the respective Fund member's contribution fund the yield of which is determined by the return on the fund's assets. The contribution fund is converted into a retirement pension at the starting point of pension withdrawal, in accordance with a specific table. The insurance component of the contribution maintains the insurance cover provided by the Fund in the form of crisis support (disability pension, spouse pension and child benefits). Indeterminate entitlements pursuant to an older system were converted into the contribution fund of those Fund members who had entitlements in the fund on 31 December 2015, in such a way that their share in the fund's assets (i.e., contribution fund) is the same as their share was on 31 December 2015 in accrued undetermined entitlements, based on an older system. This amendment does not affect Fund members' proportional entitlements with regard to accrued actuarial position; however, specified pension rights calculated in ISK are replaced by a contribution fund in ISK, which will be converted to pension at the commencement of pension withdrawal.

Appendix C

Provisions of older Articles of Association according to which entitlements may accrue to Fund members. The article numbers below are the same as in the above mentioned Articles of Association:

Older provisions from the Articles of Association of the North Iceland Pension Fund, dated 1 May 2003

- 20.3. In the event that a surviving spouse has attained the age of 50 years on the decease of a spouse, he/she shall be entitled to a 50% spouse pension until the age of 67, provided that the stipulations of Article 20.1*) are fulfilled.
*) The same stipulations as are currently found in Article 20.1.
- 20.4. In the event that a Fund member is survived by one or more children under 19 years of age, his/her and the surviving spouse's biological offspring, pension shall be paid until the youngest child has reached the age of 19 years. The same applies if the spouse is providing for a child previously provided for by the Fund member. The same entitlement applies to an adopted child.

Older provisions from the Articles of Association of the East Iceland Pension Fund, dated from July 2003

- 86.gr. Provisions regarding age of surviving children. Entitlements of adopted children:
In the event that a Fund member is survived by one or more children under 18 years of age, his/her and the surviving spouse's biological offspring, spouse pension shall be paid until the youngest child is 18 years of age. The same entitlement applies to an adopted child. The same also applies if the spouse is providing for a child previously provided for by the Fund member.
- 89.gr. Lifelong spouse pension:
If a Fund member's spouse was born before 1955, he/she is entitled to a lifelong spouse pension. Spouse pension is calculated in accordance with Article 91**); it is reduced by 2% for each whole year the spouse was born after 1 January 1935, by an additional 2% for each whole year the spouse was born after 1 January 1940, by an additional 2% for each whole year the spouse was born before 1 January 1945 and by an additional 2% for each year the spouse was born before 1 January 1950. Reduction within the birth year is calculated proportionally, based on the number of days up to the birth date as a ratio of the total number of days in the year. However, provisions pursuant to Articles 86-88 regarding spouse pension remain in effect as long as they are more advantageous to the spouse.
**) General provisions regarding spouse pension, comparable to provisions currently found in Article 20.5 in these Articles of Association.

Older provisions from the Articles of Association of Stapi Pension Fund, dated 16 May 2013

- 17.3. A Fund member who holds entitlements in the Fund, based on end of year 2004 is authorised to pay contributions to the Fund up to a certain limit with an even accrual of entitlements for the same number of months as the member in question had paid contributions to the Fund before the age of 42 at the end of 2004. In the event that the Fund member has paid contributions for a full five years during the period in question he/she is entitled to pay up to a reference contribution with an even accrual of entitlements

until the age of 67. This even accrual is based on the average entitlement accrual of the period from age 25 up to and including age 64, cf. Table I in Appendix A where this average is specifically presented. The maximum contribution needed for even accrual during each calendar year i.e., reference contribution, shall be determined for each Fund member aged 25 up to and including the age of 66, equal to the contribution he/she paid to the Fund in the year 2003 or the last year the fund received a contribution on his/her account, if this was earlier. The reference contribution, however, shall not be based on contributions in excess of 10% of the contribution base. In the event that the contribution payments of this year did not reflect habitual contributions, for example due to work intermissions or because payments were terminated during the year, calculations shall, after the member's application, be based on the next preceding year which the Board of Directors of the Fund considers to provide a reasonable representation of the Fund member's regular contributions. Reference contributions, as outlined above, change in proportion to alterations in the Consumer Price Index from the reference year to each year contributions are paid.

- 17.4. All contributions received by the Fund every year with respect to a Fund member aged 25 or more at end of year 2004 and who has a defined reference contribution pursuant to the above, shall be recorded in the form of even accrual of entitlements, until the reference contribution has been attained, or the calculated period of reference payments has come to an end. The Fund shall take special care to ensure that the accrual of entitlements of those who are not authorised to receive an even accrual of entitlements until the age of 67 according to Article 17.3, complies with the accrual regulations which yield higher entitlements during the period in question. A contribution received in excess of the above mentioned reference contribution yields entitlements in accordance with the Fund's table of entitlements categorised by age. When all the contributions of the year have been received, relating to a Fund member with a defined reference contribution, this is to be allocated to individual months in the same proportion as the contributions received. The contribution component which is over and above the reference contribution yields entitlements to the Fund member in accordance with Table I in Appendix A.
- 17.6. The Pension Fund shall inform its members as to the reference contribution for even accrual of entitlements, as outlined above, within six months from the Fund member's first contribution payment after 1 January 2007. If the Fund member does not feel that the reference constitutes a fair representation of his habitual contribution payments, he/she can submit a request to the Fund's Board of Directors to the effect that the calculation of the reference contribution be based on a another year. A request for a review of reference contribution must reach the Fund no more than 6 months after the the Fund member was first notified of his/her reference contribution.
- 17.7. A reference contribution shall not be calculated with respect to Fund members under the age of 25 or over the age of 70 on 1 July 2005. A Fund member may at any time decide that all his/her contribution is to be converted to entitlements in accordance with a table of entitlements, categorised by age. A Fund member's decision to this effect becomes valid from the beginning of the year when his/her notification reaches the Fund and the decision is irrevocable. The entitlement to even accrual in accordance with the

provisions of this section becomes valid from the date when these Articles of Association take effect or from the time the Fund member is first authorised to pay into the Fund with respect to employee income in his/her field of occupation. The entitlement lapses in the event that it is not utilised without satisfactory explanations in the view of the Fund's Board of Directors.

Acknowledgement:

To a significant extent, this translation is based on a certified translation by Páll Hermannsson (dated 3 April 2013) of an earlier version of Stapi Articles of Association (dated 8 May 2012).

The translation has, however, been updated to reflect all subsequent additions and amendments as set forth in these present Articles of Association, as well as having been adapted to English usage in other documents issued by Stapi Pension Fund.

Rafn Kjartansson
LOGGILTUR SKJALAPÝÐANDI
AUTHORIZED TRANSLATOR
17 December 2015




STAPI
LÍFEYRISSJÓÐUR