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No. 129

23 December 1997

ACT

on Mandatory Pension Insurance and on the Activities of Pension Funds.

Entered into force on 1 July 1998, with the exception of paragraph 3 of Article 14, which entered into force on 1 May 1999.

Amended with: Act no. 84/1998 (entered into force on 1 January 1999). Act no. 148/1998 (entered into force on 1 January 1999). Act no. 11/2000 (entered into force on 28 April 2000). Act no. 56/2000 (entered into force on 26 May 2000). Act no. 65/2002 (entered into force on 17 May 2002). Act no. 141/2002 (entered into force on 30 Dec. 2002). Act no. 72/2003 (entered into force 10 April 2003). Act no. 70/2004 (entered into force on 18 June 2004; EEA Agreement: Annex VI to Directive 98/49/EC). Act no. 129/2004 (which entered into force on 31 Dec. 2005). Act no. 148/2004 (entered into force on 30 Dec 2004). Act no. 28/2006 (entered into force on 3 May 2006). Act no. 65/2006 (entered into force on 27 June 2006). Act no. 108/2006 (entered into force on 1 November 2006 pursuant to Advertisement C 1/2006). Act no. 140/2006 (entered into force on 21 Dec. 2006). Act no. 167/2006 (entered into force on 1 January 2007). Act no. 169/2007 (entered into force on 29 Dec. 2007). Act no. 112/2008 (entered into force on 1 Oct. 2008, except for point 12 of Article 59, which entered into force on 25 Sept. 2008; implemented according to instructions in paragraph 2 of Article 56.). Act no. 171/2008 (entered into force on 1 January 2009, except for Article 8 which entered into force on 1 Jan. 2011 and Article 11 which entered into force on 1 Jan. 2010.) Act no. 13/2009 (entered into force 14 March 2009). Act no. 130/2009 (entered into force on 30 Dec. 2009 except for Articles 7–9 and Articles 13–42, which entered into force on 1 January 2010). Act no. 65/2010 (entered into force on 27 June 2010). Act no. 164/2010 (entered into force on 1 January 2011, except for Articles 2, 6, 22 and 26, which entered into force on 31 Dec. 2010; implemented according to instructions in Article 29). Act no. 165/2010 (entered into force and was implemented according to instructions in Article 69.) Act no. 73/2011 (entered into force on 28 June 2011, except for Articles 2 and 5, which entered into force on 1 January 2012; implemented according to instructions in Article 13). Act no. 106/2011 (entered into force on 13 Sept. 2011). Act no. 122/2011 (entered into force on 29 Sept. 2011 except for Article 1, which entered into force on 1 Sept. 2013, and for Articles 4 and 5, which entered into force on 1 Oct. 2011). Act no. 123/2011 (entered into force on 29 Sept. 2011). Act no. 126/2011 (entered into force on 30 Sept. 2011). Act no. 156/2011 (entered into force on 30 Dec. 2011, except for point (a) of Article 3, which entered into force on 1 January 2012) Act no. 164/2011 (which entered into force on 30 Dec. 2011 except for Articles 1–2, 4–5, 7, 15–21, 24–27, 29–30 and 34–39, which entered into force on 1 January 2012; implemented according to instructions in Article 40.). Act no. 60/2012 (entered into force on 1 Oct. 2012). Act no. 146/2012 (entered into force on 1 January 2013 except for points (a) and (d) of Article 2, which did not come into force, cf. Act no. 79/2013, Article 1, and point (c) of Article 2 and Article 34, which entered into force on 1 July 2013; implemented according to instructions in Article 35). Act no. 106/2013 (entered into force on 28 Sept. 2013). Act no. 128/2013 (which entered into force on 31 Dec. 2013). Act no. 139/2013 (which entered

into force on 31 Dec. 2013 except for Articles 1–2, 9, 13–14, 16–17, 22 and 27–29, which entered into force on 1 Jan. 2014; implemented according to instructions in Article 30). Act no. 40/2014 (entered into force on 27 May 2014). Act no. 96/2014 (entered into force on 1 Oct. 2014). Act no. 129/2014 (which entered into force on 31 Dec. 2014). Act no. 137/2014 (which entered into force on 31 Dec. 2014). Act no. 54/2015 (entered into force on 16 July 2015). Act no. 55/2015 (entered into force 16 July 2015). Act no. 105/2015 (entered into force on 1 Oct. 2015). Act no. 125/2015 (entered into force on 1 January 2016, except for Articles 2, 4–5, 8, 24, 31, 37, 45, 48–52, 54–55 and 57–58, which entered into force on 1 Dec. 2015 and points (a) to (d) of Article 1, Articles 6–7, 13 and 15, which entered into force on 1 January 2017; implemented according to instructions in Article 59). Act no. 111/2016 (entered into force on 1 July 2017). Act no. 113/2016 (entered into force on 1 July 2017). Act no. 126/2016 (entered into force on 1 January 2017, except for Articles 1, 2, point (c) of Article 8, 8, 9, 18, point (r) of Article 19, 19, 20, 22–24, 28, 29, 41, 58, 60 and 61, which entered into force on 31 Dec. 2016, point (s) of Article 19 which entered into force on 1 April 2017 and Article 10 which entered into force on 1 Sept. 2017; implemented according to instructions in Article 62). Act no. 127/2016 (entered into force on 1 June 2017, except for point (a), paragraph 1 of point (b), points (c) and (f) of Article 7 and Article 9, which entered into force on 31 December 2016). Act no. 63/2017, (entered into force on 1 July 2017 except for Article 6, which entered into force on 22 June 2017). Act no. 96/2017 (entered into force on 31 Dec. 2017, except for Articles 1, 11, 13, 14, 17–27, 31–35 and 38–46, which entered into force on 1 January 2018; implemented according to instructions in Article 49). Act no. 138/2018 (entered into force on 28 Dec. 2018, except for Articles 1–13, 17, 19, 23–28 and 31, which entered into force on 1 January 2019; implemented according to instructions in Article 32). Act no. 141/2018 (entered into force on 1 January 2019). Act no. 60/2019 (entered into force on 2 July 2019). Act no.91/2019 (entered into force on 1 January 2020, except for Article 133, which entered into force on 16 July 2019). Act no. 135/2019 (entered into force on 1 January 2020 except for Article 16, which entered into force on 24 Dec 2019; implemented according to instructions in Article 42). Act no. 25/2020 (entered into force on 1 April 2020). Act no. 37/2020 (entered into force on 23 May 2020). Act no. 45/ 2020 (entered into force on 4 June 2020; EEA Agreement: Annex IX of Directive 2011/61/EU, 2013/14/EU). Act no. 108/2020 (entered into force on 12 Sept. 2020). Act no. 133/2020 (entered into force on 1 January 2021, except for Articles 37 and 38, which entered into force on 17 Dec 2020; implemented according to instructions in Article 40). Act no. 36/2021 (entered into force on 19 May 2021). Act no. 55/2021 (entered into force on 1 July 2021; except for point 1 of Article 19, which entered into force on 1 Jan. 2022). Act no. 65/2021 (entered into force on 17 June 2021). Act no.115/2021 (entered into force on 1 Sept. 2021 except for Article 39, which entered into force on 1 Nov. 2021 and paragraph 5 of Article 48, which will enter into force on 28 Feb. 2023; for conflict of laws, see Article 147; EEA Agreement: Annex IX to Directive 2014/65/EU, 2016/1034, regulation 600/2014, 2016/1033, 2017/565, 2017/567). Act no. 131/2021 (entered into force on 1 January 2022 except for point (d) of Article 20, which entered into force on 31 Dec. 2021; implemented according to instructions in Article 61).

Any mention in this Act of a Minister or Ministry, which does not specify the name or area of competence of the ministry refers to the **Minister of Finance and Economic Affairs** or the **Ministry of Finance and Economic Affairs**, which administers this Act. Information on the areas of competence of ministries, as provided for by a Presidential Ruling, is available here.

CHAPTER I
Mandatory insurance, contributions and insurance coverage.
Article 1

This Act shall apply to all pension funds and agreements on insurance coverage, as further provided for in this Act.

Pension funds shall refer to any entity or institution which accepts contributions towards the payment of life-long old-age pensions, disability pensions or death benefits, as further provided for in this Chapter and Chapters II and III.

Mandatory pension insurance implies membership obligation in a pension fund and payment of contributions to a pension fund and, where applicable, to other parties pursuant to an agreement on supplementary insurance coverage.

All employees and employers or self-employed persons are obliged to ensure their pension rights through membership in a pension fund from the age of 16 until the age of 70.

Article 2

Contributions towards pension rights shall be determined by special legislation, by collective wage bargaining agreements, by employment contracts or by other comparable means.

Minimum pension contributions shall amount to at least [12%]¹⁾ of the contribution base. [The contribution decided upon by an employee or employer or self-employed person shall go towards increasing pension rights as provided for in Chapter II or III.]²⁾

Membership in a pension fund, payment of pension contributions and the division of the contributions between the employee and employer respectively shall be as prescribed in the collective bargaining agreement which determines the minimum terms of employment in the occupation concerned, or in a special Act, where applicable. Should no collective bargaining agreement apply to the occupational field concerned, or if the specific terms of employment are not based on a collective bargaining agreement, the individual in question shall select a pension fund in accordance with the rules of individual funds. Pension fund membership shall be specified in a written contract of employment.

Anyone for whom payment of a contribution is made, who pays or has paid a contribution to a pension fund and is entitled to benefits from it, as further provided for in this Act, is a pension fund member. No one may be refused membership in a pension fund for reasons of health, age, marital status, family size or gender

1) Act 167/2006, Article 1. 2) Act 148/1998, Article 2.

Article 3

The minimum contribution to a pension fund pursuant to Article 2 shall be calculated from the total of wages paid and remuneration for any type of work, task or service. The contribution base shall be composed of all types of wages or remuneration for work subject to income tax pursuant to the first paragraph of point 1 of section A of Article 7 of [Act No. 90/2003 on Income and Net Worth Tax].¹⁾ The contribution base shall not, however, include benefits paid in kind, such as clothing, food or accommodation, or payments which are intended to cover cash outlays, e.g. vehicle allowances, per diem payments and food allowances. Furthermore, retirement and pension benefits paid by the State Social Security Institute or pension funds, other benefits paid by the State Social Security Institute, [sickness benefits as provided for by the Health Insurance Act]²⁾ accident and sickness payments paid by trade union health insurance funds and benefits paid by insurance companies for loss of earnings and from injury shall be excluded from the contribution base. The contribution base shall include unemployment benefits as provided for in the Unemployment Insurance Act. The contribution base of individuals for employment in their own business operations or self-employment [or for employment operating a business which they control through ownership or membership of the board]³⁾ shall be equivalent to an amount provided for in the second paragraph of point 1 of section A, Article 7 of [Act No. 90/2003 on Income and Net Worth Tax, as further provided for in Article 58 of the same Act].¹⁾

Pension contributions shall be allocated for minimum insurance coverage, as provided for in Article 4, and, where applicable, for supplementary insurance coverage, as provided for in Articles 8 to 10.

1) Act no. 129/2004, Article 126. 2) Act no. 112/2008, Article 73. 3) Act no. 65/2002, Article 4.

Article 4

The minimum insurance coverage provided by a pension fund, based on a 40-year contribution period, shall amount to 56% of the monthly wages for which a contribution is paid, as a monthly old-age pension for the duration of life from such time as the pension is first paid, but no later than from 70 years of age, pursuant to Article 14, and 56% of the monthly wages for which contribution is paid, as a monthly disability pension based on full rights to entitlement projection, in accordance with Article 15. Minimum insurance coverage shall, furthermore, provide for the equalisation among pension fund members of costs due to spouses' pensions pursuant to Article 16 and costs due to child pensions pursuant to Article 17.

The pension fund, in accordance with Article 24 of this Act, shall specify the contribution needed to bear the cost of the minimum insurance coverage it provides.

A pension fund may, in accordance with an actuarial valuation, determine its minimum insurance coverage in such a way that contributions are in part devoted to acquiring pension rights in personal pension savings, in accordance with Chapter II, and in part to acquiring pension rights in mutual occupational pension funds, in accordance with Chapter III.

Article 5

A pension fund member may decide to turn over the portion of their contribution which is to be devoted to a personal pension savings, in accordance with paragraph 3 of Article 4, and the portion which is to be devoted to supplementary insurance coverage, to a party other than the pension fund which accepts their contributions.

The employer or pension fund concerned is under obligation to transfer payments in accordance with the decision of the pension fund member pursuant to the first paragraph to another party without additional charge to the pension fund member.

Should pension fund members fail to inform their employer or pension fund with suitable notice as to where the contribution, which they are entitled to dispose of in accordance with the first paragraph, shall be directed, this shall be credited as provided for in the Articles of Association of the pension fund concerned.

A pension fund which determines minimum insurance coverage as provided for in the third paragraph of Article 4, or a party who accepts contributions towards personal pension savings or supplementary insurance coverage, must ensure that the part of their operations which concerns the custody and management of insurance contributions, which beneficiaries may dispose of directly in accordance with the first paragraph, is kept financially separate and is not subsidised by other operations.

Article 6

The Directorate of Internal Revenue shall be responsible for ensuring that pension contributions are paid for each individual subject to mandatory pension insurance.

[Pension funds and parties listed in the third paragraph of Article 8 are required to provide the Directorate of Internal Revenue, at the end of each income year, with information on the contributions towards pension rights which have been paid to the fund for each pension fund member during that year.]¹⁾

Employers [as provided for in Act no. 45/1987 on the Withholding of Public Levies at Source]²⁾ and business operators or self-employed persons, as well as others who make payments subject to contributions, must, at the conclusion of the income year, specify on their wage payment slips, or by other means prescribed by the Directorate of Internal Revenue, the amount upon which each person's

contributions were based, together with the total amount of contributions paid to a pension fund [and parties listed in the third paragraph of Article 8].¹⁾

[Everyone who is obliged to be a member of a pension fund pursuant to this Act, and is required to submit an income tax return in accordance with the Act on Income and Net Worth Tax ...³⁾, must, in the tax return, or by other means decided by the Directorate of Internal Revenue, specify the pension contributions they have paid during the year and the pension funds and parties listed in the third paragraph of Article 8 to which contributions were paid.]¹⁾

After the conclusion of the income year, the Directorate of Internal Revenue shall send each pension fund a statement for each person who is a member of the fund according to the information which the Directorate has received pursuant to this Article. The statement shall indicate the contribution base and contributions paid by each person and the corresponding employers' contributions. If no pension fund is specified on the tax returns or breakdown sheets submitted by employers and pension funds, the statement shall be sent to Söfnunarsjóður lífeyrisréttinda (General Pension Fund), which shall then collect the contributions.

The Minister shall, by means of a Regulation,⁴⁾ lay down detailed provisions for the implementation of this Article.

1) Act no. 148/1998, Article 3. 2) Act no. 169/2007, Article 3. 3) Act no. 129/2004, Article 127. 4) Reg. 391/1998, cf. 742/1998 and 224/ 2001.

Article 7

Pension fund contributions, for both minimum insurance coverage and supplementary insurance coverage, shall be paid regularly each month, as provided for in paragraphs 2 to 4.

The contribution payment period shall not exceed one month, and the due date for payments shall be on the tenth day of the following month. The final due date for payments shall be on the last day of the month in which the contribution is due. In other respects, payment of contributions shall be subject to the rules laid down in the Articles of Association of the pension fund in question or in accordance with an agreement between the parties listed in Article 8.

Rights accruing from additional contributions to pension funds in excess of regular contributions shall be calculated as of the date of payment.

All employers are required to withhold pension contributions from their employees' wages and submit them to the respective pension funds together with their corresponding contributions. The same responsibility rests on the employer with regard to the collection and forwarding of contributions to the parties listed in Article 8.

Employers and persons operating their own businesses must notify the pension funds and the parties listed in Article 8 if they are no longer responsible for the submission of pension fund contributions due to the termination of their activities or if their employees have left their employment.

Article 8

Employees and persons operating businesses or who are self-employed may conclude an agreement with parties listed in the third paragraph for insurance coverage based on contributions which they may dispose of directly pursuant to the first paragraph of Article 5. The contribution or portion of a contribution provided for in such a contract shall accumulate to the acquisition of pension rights in personal pension savings, in accordance with Chapter II, or in mutual occupational pension funds, in accordance with Chapter III.

A beneficiary pursuant to the first paragraph may not transfer, mortgage or in any other manner dispose of their deposit or rights pursuant to an agreement for supplementary pension coverage or pension rights in personal pension savings except by agreement as provided for in points 1–3 of the third paragraph of Article 14. Rights arising from such an agreement shall not be subject to enforcement measures, and no creditor of a deceased's estate or bankruptcy estate shall be entitled to encroach upon them in any manner.

[The following parties may operate activities in accordance with Chapter II and accept contributions under a contract for supplementary insurance coverage pursuant to this Act:

1. Commercial banks, savings banks and securities undertakings, as provided for in the Act on Financial Undertakings;
2. Life insurance companies, as provided for in the Act on Insurance Activities;
3. Pension funds, provided that they fulfil the requirements of Articles 4 and 5.]¹⁾

[Foreign commercial banks, savings banks and securities undertakings, which are established and licensed in another state within [the European Economic Area or member state of the European Free Trade Association treaty or the Faroe Islands]²⁾, may carry out activities as provided for in Chapter II of this Act, by establishing a branch in this country, as provided for in Article 31 of Act No. 161/2002 on Financial Undertakings, or without the establishment of a branch, as provided for in Article 32 of that same Act. The provisions of Articles 31, 32, 34 and 35 of that Act shall apply to authorisations to commercial banks, savings banks and securities undertakings to carry out activities as provided for in Chapter II of this Act as applicable.

Foreign life insurance companies, which are established and licensed in another state of [the European Economic Area or member state of the European Free Trade Association treaty or the Faroe Islands]²⁾, may carry out activities as provided for in Chapter II of this Act, by establishing a branch in this country, as provided for in Article 64 of Act No. 60/1994 on Insurance Activities, or without the establishment of a branch, as provided for in Article 65 of the same Act. The provisions of Articles 64 to 70 of the Act shall apply to authorisations to life insurance companies to carry out activities as provided for in Chapter II of this Act as applicable.

[The Minister]³⁾ can establish more detailed rules as to the manner in which beneficiaries shall be ensured information on the terms and conditions of contracts on pension savings and supplementary pension benefits, concerning for instance the contents, form and rights acquired.]¹⁾

1) Act no. 70/2004, Article 1. 2) Act no. 108/2006, Article 16. 3) Act no. 126/2011, Article 254.

Article 9

An agreement for supplementary insurance coverage and personal pension savings shall include the name and personal identification number of the contributor, the monthly contribution and the rules which apply to the payment of benefits and rights in other respects. All conditions applying to the supplementary insurance coverage must be stated in the agreement. Payment of contributions pursuant to the agreement shall commence no later than two months following the conclusion of the agreement. [The agreement may be terminated with two months' notice.]¹⁾ Notice of termination is not, however, valid until the party terminating the agreement has verifiably given notice of such termination to the pension fund which receives their contributions for minimum insurance coverage.]¹⁾ Termination does not convey the right to withdraw the deposit or rights, but the rules on insurance coverage may make provision for the deposit or rights to be transferred between the parties listed in Article 8.

A pension fund which fulfils the requirements of Articles 4 and 5 may, in the same manner as other parties listed in [points 1 and 2]²⁾ of the third paragraph of Article 8, accept contributions only from specific pension fund members in accordance with an agreement on supplementary insurance coverage. The fund, however, must confirm the membership of the employees concerned in the pension fund which accepts their contributions for minimum insurance coverage.

[Parties under paragraphs 3–5 of Article 8 which offer supplementary insurance coverage according to Chapter II shall prepare a key information document (KID) in accordance with Chapter II of the Regulation of the European Parliament and of the Council (EU) no. 1286/2014, cf. Act on key information documents for packaged retail and insurance-based investment products (PRIIPs).]³⁾

1) Act no. 171/2008, Article 1. 2) Act no. 70/2004, Article 2. 3) Act no. 55/2021, Article 19.

Article 10

Commercial and savings banks, insurance companies, securities undertakings and pension funds desiring to offer agreements on supplementary insurance coverage and personal pension savings as

provided for under the provisions of this Act must, in advance, seek confirmation from the [Minister]¹⁾ that their rules concerning insurance coverage are in accordance with the provisions of this Act. Any amendments to the rules must also be notified to the [Minister]¹⁾ and shall not take effect until the Minister has approved them after receiving the opinion of a public supervisory authority. A decision shall be issued on the rules and amendments to them in writing no later than three months from the time the final application is received by the Minister. [The Minister]¹⁾ may, by means of a regulation, establish detailed formal requirements for agreements on supplementary insurance coverage and personal pension savings. [The Minister is also authorised to stipulate more detailed provisions in regulations that are to be included in the rules on supplementary insurance coverage and personal pension savings.]²⁾

1) Act no. 126/2011, Article 254. 2) Act no. 106/2013, Article 1.

CHAPTER II

Pension savings

Article 11

The first withdrawal of a deposit may be made, or a special withdrawal agreement concluded, two years after the first payment of contributions to acquire pension rights in personal pension savings, but not before the beneficiary has fulfilled special additional requirements in accordance with paragraphs 2 to 4 of this Article. [The authorisation to repay pension savings in personal pension savings to foreign nationals shall be subject to the provisions of the fourth paragraph of Article 19]¹⁾.

[When a beneficiary reaches the age of 60, pension savings may be paid out together with interest.]¹⁾

In the event that a beneficiary becomes disabled and his disability is 100%, he shall be entitled to payment of pension savings and interest in equal annual payments over seven years. In the event that the disability is less than 100%, the annual payment shall be reduced in direct proportion with the reduction in disability and the period of withdrawal lengthened accordingly.

In the event that a beneficiary dies before the deposit is fully paid out, it shall become the property of the beneficiary's heirs and be divided amongst them in accordance with the rules of the Inheritance Act. ...¹⁾ In the event that a beneficiary has neither a spouse nor children, the deposit shall accrue to their estate, in which case the limitation in the second sentence of the second paragraph of Article 8 shall not apply.

A regulation shall provide for a shorter withdrawal period in the case of small amounts.

1) Act no. 171/2008, Article 2.

Article 12

Equal instalments, as provided for in Article 11, refers to equal payments distributed over the number of years of payment in such a way that the beneficiary receives, in the course of each year, a part of the balance, including interest, corresponding to the number of years remaining of the repayment period.

Notwithstanding the provisions of the first paragraph, a special agreement may be concluded providing for a monthly payment of a specific sum. In such case, the payment shall be adjusted in accordance with the consumer price index. This agreement may, in part or in full, be for a specified period, pursuant to the requirements of Article 11 on the minimum length of time or until the end of the beneficiary's life.

CHAPTER III

Pension rights in pension funds.

Article 13

Through contributions to earn pension entitlements in mutual occupational pension funds, pension fund members earn for themselves and a spouse and children as applicable, the right to old-age pension, disability pension and spouses' and children's pensions, which may not be less extensive

than as provided for in this Chapter. The Articles of Association of a pension fund shall stipulate more detailed provisions for the acquisition of rights, which may vary depending upon whether contributions are made towards minimum or supplementary insurance coverage and, as the case may be, are age-dependent or not.

The right to pension in accordance with this Act is calculated from the time the contributions are received by the pension fund. The contributions of an employee, which an employer has demonstrably collected but not submitted to a pension fund, as well as the employer's portion, shall nevertheless be fully assessed in calculations of rights from the deadline for payment of contributions, provided the fund has received information on the obligation to pay contributions within 60 days from the date of the statement referred to in Article 18. Pension funds shall not, however, be responsible for the rights of fund members arising from contributions which are lost through bankruptcies and for which the wage guarantee fund is not responsible according to the Wage Guarantee Fund.

Article 14

A pension fund shall begin the payment of old-age pension in accordance with the detailed provisions of its Articles of Association once a pension fund member has reached the age of 65–70. [A pension fund may give fund members the option of deferring or accelerating the drawing of a pension, provided that the pension does not start until the fund member reaches the age of 60.]¹⁾ The Articles of Association shall provide for the effects that deferment or acceleration shall have on the pension amount.

An old-age pension shall be paid in equal payments on a monthly basis until the end of life. The monthly payments shall be indexed and adjusted in accordance with changes to the consumer price index. The Articles of Association shall further provide for the amount of old-age pensions, their calculation and conditions for payment.

A pension fund member may, on the basis of an agreement between the fund member and their spouse, decide on an arrangement as referred to in points 1-3 of this paragraph. This agreement should include, where applicable, old-age pension payments, the value of old-age pension entitlements or the old-age pension entitlements of both parties, and provide for mutual and equal division of rights acquired during the period that the marriage or civil partnership]² has existed or may exist:

1. Up to one-half of old-age pension payments accruing to a pension fund member shall accrue to their spouse or former spouse. The fund shall, in such an event, divide the payments pursuant to the decision of the fund member, but the payments shall lapse upon the demise of the member. In the event of the demise of the spouse or former spouse enjoying such payments before the demise of the fund member, the payments shall accrue to the fund member.

2. [Before the commencement of an old-age pension withdrawal but no later than the age of 65]¹⁾, and if illness or health problems do not reduce life expectancy, up to one-half of the value of a fund member's accumulated old-age pension entitlements shall be used to form independent old-age pension entitlements for their spouse or former spouse, with a corresponding reduction to the rights of the fund member. The total obligations of the pension fund shall not be increased by such a decision by the pension fund member.

3. Up to one half of the contributions on a fund member's behalf which accrue to old-age pension entitlements may be used to form independent entitlements for their spouse. In the disposal of contributions in respect of minimum insurance coverage and supplementary insurance coverage, it shall be understood that the contribution base of the fund member has been divided between the member and spouse in the same manner as the contribution.

1) Act no. 171/2008, Article 3. 2) Act no. 65/2010, Article 40.

Article 15

A pension fund member shall be entitled to disability pension in the event of suffering a loss of ability assessed at 50% or more, has contributed to a pension fund for at least two years and has suffered loss of income due to the loss of ability.

A disability pension shall be adjusted in accordance with rules prescribed in detail in the Articles of Association, provided a fund member has contributed to the pension fund for at least three of the preceding four years, and thereof for at least six months during the most recent twelve-month period, and provided the loss of ability cannot be traced to abuse of alcohol, pharmaceuticals or illicit drugs.

In the event that the right to projection earned by a fund member lapses as a result of temporary absence from the labour market owing to work abroad, study, leave of absence, maternity/paternity leave, or comparable reasons, their right to projection shall become effective once more six months from the time that they resume work and payment of contributions to the pension fund.

If a pension fund member does not have the right to projection, the amount of the disability pension shall be based on earned rights.

Provision may be made that the payment of disability pension shall not be paid during the first three months following the loss of ability. The same shall apply if the loss of ability has lasted for less than six months.

[After obtaining the opinion of the pension fund's doctor, the condition for the payment of an disability pension may be that a fund member undergoes rehabilitation that could improve their health, provided that such rehabilitation is available to them and the circumstances allow them to use it.]¹⁾

Further provisions on disability pension, such as on the assessment of disability, the amount of disability pension, its calculation and conditions for its payment, shall be established in the Articles of Association of a pension fund.

1) Act no.128/2013, Article 1.

Article 16

A pension fund shall pay a pension to the spouse of a deceased fund member if the fund member contributed to the pension fund for at least 24 of the previous 36 months prior to his demise, had been receiving old-age or disability pension at the time of demise, or had acquired the right to adjustment pursuant to the third paragraph of Article 15.

A full spouse's pension shall always be paid for a period no shorter than 24 months. If the spouse supports a child under the age of 18 years who was previously supported by the pension fund member, or if the spouse is at least 50% disabled and younger than 67 years, full spouse's pension shall be paid while this situation prevails. A full spouse's pension shall amount to a minimum of 50% of the disability pension to which the pension fund member was entitled to in case of 100% disability.

For the purposes of this Article, a spouse is understood to be a person who was [married or in a civil partnership]¹⁾ with the deceased fund member upon the member's demise, provided their common estate had not been dissolved prior to the demise of the fund member. Co-habitation means a union between [two individuals]¹⁾ who live together at a common domicile, who have a child together or where the woman is pregnant, or co-habitation has been continuous for at least two years. ...¹⁾ The right to a spouse's pension shall lapse if the spouse remarries [or enters into a union which may be equated as a marriage],¹⁾ unless otherwise provided for in the Articles of Association.

Further provisions on spouse's pension, such as concerning the amount of pension, rules on its adjustment and conditions for its payment, shall be laid down in the Articles of Association of a pension fund.

1) Act no. 65/2010, Article 41.

Article 17

Upon the demise of a pension fund member who has contributed to a pension fund for at least 24 of the previous 36 months, had been receiving old-age or disability pension at the time of demise, or had acquired the right to projection pursuant to the third paragraph of Article 15, the member's children and adopted children younger than 18 years of age shall be entitled to pension until reaching 18 years of age. Children born or adopted prior to the loss of ability of a pension fund member

receiving full disability pension have the same right to pension. If the disability is assessed at less than 100%, the children's pension shall be proportionally lower.

The minimum full child pension shall be ISK 5,500 per month for each child of a disability pensioner. On the demise of a fund member, the child pension shall be a minimum of ISK 7,500 for each child. These amounts shall be adjusted annually based on changes in the consumer price index from the base index of 173.5 points.

Further provisions on child pension, such as concerning rules on its calculation and conditions for its payment, and on its amount in cases where a spouse's pension is not paid for a child, shall be established in the Articles of Association of a pension fund.

Article 18

Each pension fund must keep a register of the persons who have contributed to the fund and of those who have acquired the right to pension payments from the fund by other means than through the payment of contributions. The register shall contain the names and personal identification numbers of these persons. In addition, the register must contain information on the amount of each person's contribution, payment periods and rights earned, as well as other information which could affect pension entitlements. Pension fund members shall have access to their own information. In addition, the Directorate of Internal Revenue shall have access to necessary information from the register for supervisory purposes pursuant to Article 6.

The pension fund must, at the same time as it sends a statement of contributions and no less frequently than once each year, send information on earned and projected pension entitlements of pension fund members, on the operation and financial situation of the fund and on changes to its Articles of Association. The same information shall be sent to pension fund members who have reached pension age.

[Pension funds must send their members a summary of contribution payments at least every 6 months. The summary shall be accompanied by a request that fund members raise objections without delay if contributions verifiably collected have not been received by the fund.]¹⁾

[Pension funds may submit summaries referred to in paragraphs 2 and 3 electronically to fund members if a fund member so requests.]²⁾

A pension fund member shall have the right to demand that the pension fund justify in writing any decision concerning him. The reasoned decision must make mention of the right of a pension fund member to refer the decision to a board of arbitration, as provided for in Article 33.

Provision may be made, by means of a regulation, for systematic registration of information on contributions and pension rights, as well as for the provision of information from such a register to tax authorities and other supervisory authorities.

1) Act no. 56/2000, Article 1. 2) Act no. 171/2008, Article 4.

Article 19

Provision may not be made in the Articles of Association for earned pension rights to be reduced or lost if a pension fund member ceases his contributions to a pension fund.

It shall make no difference whether a person has pension entitlements in one or more pension funds, and persons may not lose rights nor acquire greater rights as a result of their contributions being divided between two or more funds. Further provisions shall be established, by means of a regulation, on the division of contributions between funds when pension entitlements have been formed in more than one fund, on the manner in which entitlements may be combined and on the implementation of this provision in other respects.

Contributions and, consequently, the entitlements arising from them, may be transferred between pension funds when the receipt of pension commences for the purpose of facilitating the implementation of this Article.

Pension contributions of foreign nationals emigrating from Iceland may be reimbursed, provided this is not prohibited by international agreements to which Iceland is a party. Reimbursement may not be limited to a specific portion of the contributions except on proper actuarial premises.

Provision may be made in [the Articles of Association]¹ for payment of lump-sum pensions in the case of small amounts.

1) Act no. 56/2000, Article 2.

[Article 19a.

Employees coming to work in Iceland from headquarters in the European Economic Area or a member state of the European Free Trade Association treaty [or the Faroe Islands]¹ shall be entitled to contribute to a pension scheme in the same manner as they would be entitled if the income were acquired in the country in which the headquarters are located and the pension scheme is not covered by Regulation No. 1408/71/EEC. If the payment of contributions to such a pension scheme is continued, as provided for in the first sentence, employees working away from headquarters and their employer shall be exempt from all obligation to pay contributions to a comparable pension scheme in Iceland.

Employers, pension funds and depositaries of pension savings shall have information available to fund members moving to other member states of the European Economic Area, or to member states of the European Free Trade Association treaty [or the Faroe Islands]¹, on their earned pension rights from pension schemes as referred to in the first paragraph, by what means such rights will be preserved, whether such rights can be transferred to foreign funds and where they should turn when benefits fall due.]²

1) Act no.108/2006, Article 17. 2) Act no. 70/2004, Article 3.

CHAPTER IV

General conditions for the operation of pension funds.

Article 20

The operation of pension funds shall involve the receipt, preservation and investment of contributions and the payment of pensions. ...¹

A pension fund shall not engage in activities other than those required to achieve its objectives as referred to in the second paragraph of Article 1 and the first paragraph of this Article. A pension fund may not pay out contributions for any other purpose. [Contributions of pension funds to vocational rehabilitation funds according to the Act on Vocational Rehabilitation and the Operation of Vocational Rehabilitation Funds are considered contributions for the purpose referred to in the second paragraph of Article 1 and the first paragraph of this provision.]² [Pension funds may establish partnerships with the parties responsible for the fund for the collection of contributions for them, concurrently with the collection of pension fund contributions. Such collection may not lead to an increase in costs for the pension fund.]³

1) Act no. 113/2016, Article 1. 2) Act no. 60/2012, Article 30. 3) Act no. 28/2006, Article 1.

Article 21

Pension funds may not operate without a fully valid operating permit pursuant to Chapter V or Chapter XI.

As a rule, a pension fund shall have at least 800 fund members who make regular contributions each month, unless the fund ensures risk distribution with regard to its obligations by other means commensurate with an actuarial assessment.

A pension fund may secure distribution of risk for its pension obligations, in part or in full, from insurance companies pursuant to the Act on Insurance Activities. Furthermore, funds may purchase specific insurance coverage from insurance companies or other pension funds for individual fund members. Moreover, pension funds may co-operate on individual aspects of insurance coverage. Further provisions on these aspects shall be established by means of a regulation.

Article 22

Pension funds are obliged to use, and have the exclusive right to use, the designation "pension fund", either standing alone or in compounds with other words, or as a further explanation of their activities. Pension funds which are already in operation at the time of entry into effect of this Act, however, may retain their names unaltered.

Article 23

Pension funds shall use their assets to guarantee their obligations. Contributors are not liable for any obligations of the fund beyond the payment of their contributions.

Article 24

The directors of a pension fund shall have an annual actuarial valuation of the financial situation of the fund performed in accordance with Article 39 and the provisions of a regulation¹⁾ established by the Minister. The regulation shall provide for the general actuarial premises, among other things as regards the risk of mortality, the real interest rate to be used as a basis for the investigation and the required rate of return to be used in discounting future contributions, and the expected pensions to be paid by the fund. Provisions on assessing the net assets for payment of pensions in actuarial assessments shall also be established in a regulation. Such regulation shall also specify possible deviations from the assessment of asset items on the balance sheet, in accordance with Article 40, i.a. to allow the value of registered shares and comparable securities to be based on a weighted market value during a specified period, which may not, however, be longer than six months.

The assessment provided for in the first paragraph shall be carried out by an actuary or other person who has been recognised by the [Financial Supervisory Authority]²⁾ for such a task, as provided for in the Act on Insurance Activities.

The actuarial valuation referred to in the first paragraph shall be forwarded to the [Financial Supervisory Authority]²⁾ no later than 15 May³⁾ each year.

1) *Reg. 391/1998, cf. 811/ 2016, 398/2020 and 1589/2021.* 2) *Act no. 84/1998, Article 7.* 3) *Act no. 106/2013, Article 2.*

CHAPTER V

Operating permits for pension funds.

Article 25

[The Minister]¹⁾ shall issue an operating permit to a pension fund provided it meets the following conditions:

1. It is demonstrated that the fund will, within three years, fulfil the conditions of the second paragraph of Article 21.
2. The Articles of Association are in accordance with the provisions of Article 27.
3. A board of directors has been elected.
4. A certified public accountant has been chosen.
5. An actuary has been chosen.

The application for an operating licence shall be made in writing. It shall be accompanied by the Articles of Association of the fund together with other information and data as determined by the Minister. Before a decision is made on a permit, the application shall be referred to the [Financial Supervisory Authority]²⁾ for its opinion.

Notification of operating permits granted to pension funds shall be published in the *Legal Gazette*.

1) *Act no. 126/2011, Article 254.* 2) *Act no. 84/1998, Article 7.*

Article 26

The decision on an operating licence shall be reasoned and forwarded to the applicant in writing no later than three months after the Minister's receipt of a complete application.

In the event that the pension fund for which an operating permit is sought does not fulfil the conditions of this Act, it shall be refused a permit.

Article 27

The Articles of Association of a pension fund shall be so devised that the fund will be able to fulfil its obligations.

Among other things, the Articles of Association of a pension fund shall provide for the following:

1. Name, address and role of the fund.
2. Who the pension fund members are.
3. General conditions for membership in the fund and for cessation of membership.
4. The annual meeting, how it is to be called, what issues are to be presented there, who shall have voting rights and how voting rights are to be determined.
5. The role of the board of directors, the number of board members and their alternates, the term of office of these board members and how auditors shall be selected.
6. Whether the assets administered by the fund shall be preserved as a single whole or in financially separate departments and the manner in which the assets of the fund are to be invested.
7. How contributions to the fund shall be determined and how they are to be paid.
8. The entitlement of fund members and their family members to pensions, how these rights shall be calculated and what are the further conditions for pension entitlement. Moreover, provisions shall be made regarding the performance of pension payments.
9. The implementation of regular actuarial valuation of the finances of the fund and when such an examination is to take place, as provided for in Articles 24 and 39.
10. The manner in which amendments are to be made to the Articles of Association of the fund.
11. The obligation of the pension fund to provide information to members;
12. the role and composition of a board of arbitration.

Article 28

[Any changes to pension fund Statutes must be notified to the [Minister]¹⁾ and shall not take effect until the Minister has confirmed that they satisfy the provisions of this Act and the provisions of the Statutes currently applicable to the Fund, upon receiving the opinion of the Financial Supervisory Authority.]²⁾...³⁾...⁴⁾ In addition, the [Financial Supervisory Authority]⁵⁾ must be notified of changes to a pension fund's board, managing director, auditor [party that handles internal auditing]⁴⁾ and actuary.

1) Act no. 126/2011, Article 254. 2) Act no. 56/2000, Article 3. 3) Act no. 171/2008, Article 5. 4) Act no. 106/2013, Article 3. 5) Act no. 84/1998, Article 7.

CHAPTER VI

[Operations, internal control and internal audit.]¹⁾

1) Act no. 106/2013, Article 6.

Article 29

The board of directors of a pension fund is responsible for the operation of the fund in accordance with this Act, regulations established hereunder and the fund's Articles of Association. The board of directors of a pension fund shall also be responsible for the general supervision of the operation of the fund, its accounts and disposal of the fund's assets. The board shall draw up its rules of procedure and propose amendments to the fund's Articles of Association at the Annual General Meeting.

[The board of directors of a pension fund may amend the fund's Articles of Association without submitting such amendments to an Annual General Meeting for approval, as provided for in Article 30 and, as the case may be, in the Articles of Association of individual funds, if the amendments are the result of mandatory provisions of Acts or Regulations.]¹⁾

The tasks of the board of directors of a pension fund include the following:

1. to hire the managing director(s), determine his/her or their salary and terms of employment in accordance with a formal statement of duties;

2. [to decide how the internal audit should be conducted, either by hiring the head of the audit department or negotiating with an independent supervisory body],²⁾

3. to formulate the investment policy of the pension fund, as provided for in Chapter VII;

4. to establish rules on the provision of information by the managing director to the board on operations, contributions, earning of entitlements and disposal of the fund's assets;

[5. to establish rules of procedure on the [trading of financial instruments by the pension fund, its board members and employees.]³⁾ The rules of procedure must be approved by the Financial Supervisory Authority]⁴⁾

[6.]⁴⁾ to decide on who shall represent the pension fund on the board of an institution or commercial enterprise, unless otherwise provided for by law;

[7.]⁴⁾ to have an actuarial assessment carried out of the fund's financial situation, cf. Article 24.

[8. to formulate the internal control of the pension fund and document the control processes],⁵⁾

[9. [to set a risk policy and formulate a control system for the fund's risk, cf. Article 36 (e)].⁶⁾]⁷⁾

[The board of a pension fund shall be composed of at least three individuals. Each gender shall be represented on the board when the board consists of three members and when there are more than three board members in a pension fund, it shall be ensured that the proportion of each gender is no lower than 40%. The same applies to the gender ratios among alternates in pension funds, but the ratios in the board and alternate board shall, as a whole, be as equal as possible.]⁸⁾

1) Act no. 56/2000, Article 4. 2) Act no. 106/2013, Article 4. 3) Act no. 115/2021, Article 148. 4) Act no. 11/2000, Article 18. 5) Act no. 171/2008, Article 6. 6) Act no. 113/2016 Article 2. 7) Act no. 156/2011, Article 1. 8) Act no. 122/2011, Article 1.

Article 30

The board of directors shall call the fund's Annual General Meeting no later than by the end of June each year. All pension fund members have the right to attend Annual General Meetings and to speak and make proposals. Voting rights shall be in accordance with the Articles of Association of the pension fund in question, as provided for in Article 27.

Annual General Meetings shall be called in a reliable manner.

At the Annual General Meeting, the report of the board, annual accounts, actuarial valuations, investment strategy and proposals for amendments to the Articles of Association shall be presented.

Article 31

[Members of the board and managing directors of pension funds must be of legal age, financially independent, have a [good reputation]¹⁾ and may not have been declared bankrupt in the last five years. They may not in the last ten years have been convicted of any offence connected with a commercial activity which is punishable under the Penal Code, Competition Act, statutory law on limited liability companies, accounting practices, annual accounts, bankruptcy etc. or special laws that apply to entities whose financial activities are subject to official supervision. Members of the board must be residents of Iceland, of another Member State of the European Economic Area, of a member state of the European Free Trade Association treaty or of the Faroe Islands. [The Central Bank of Iceland]²⁾ sets rules³⁾ on the financial independence of board members and managing directors.

Board members of pension funds may not sit on the board of another regulated party or a party closely related to it, nor be employees or auditors of another regulated party or a party closely related

to it. Board members of a pension fund may not work as lawyers for another pension fund. Employees of a pension fund are not allowed to sit on its board.

Notwithstanding the provisions of the second paragraph, an employee of another regulated party may take a seat on the board of a pension fund if he/she is elected or appointed from among the fund members. However, this exemption does not apply to managers and key employees of regulated parties or if the regulated party handles the operation of a pension fund or its asset management in part or in full. A seat on the board according to this paragraph shall be conditional on it not, in the opinion of the Financial Supervisory Authority, creating a risk of conflict of interest in the financial market or reducing the credibility of the board of a pension fund. In this regard the position of the employees in question with regulated parties shall *inter alia* be examined.

In addition to the above requirements, board members must possess sufficient knowledge and experience to be able to fulfil their position in a satisfactory manner.

The managing director has charge of the day-to-day operations of the fund and in this respect shall follow the policy and directions of the board of directors. The managing director may undertake major or extraordinary actions only with authorisation from the board of directors.

The managing director may not take part in business operations except with the permission of the board of directors. A shareholding in a company constitutes participation in an enterprise, except in the case of an insignificant holding which does not entail direct influence on the management of the company.

The educational qualifications, work experience and previous career of the managing director shall be such as to ensure that they can fulfil their position in a satisfactory manner.

The pension fund shall notify the Financial Supervisory Authority of appointments and subsequent changes in the Board of Directors and the Managing Director. These notifications shall be received by the Financial Supervisory Authority without delay and shall be accompanied by sufficient information to be able to assess whether the conditions of the article are met. [The Central Bank of Iceland]²⁾ sets rules³⁾ on how the eligibility assessment is to be conducted.

The provisions of Chapter II of the Administrative Procedures Act shall apply to the eligibility of board members and managing directors of pension funds to handle issues.]⁴⁾

1) Act no. 141/2018, Article 35. 2) Act no. 91/2019, Article 111. 3) Reg. no. 180/2013. 4) Act no. 122/2011, Article 2.

Article 32

The board of directors, managing director and other staff members, as well as the auditors of the pension fund, are subject to confidentiality concerning any information which may come to their knowledge in the course of the performance of their duties and which is confidential by law or its nature. Confidentiality shall be maintained even after termination of employment.

Minutes shall be kept of the proceedings of board meetings. All attending members of the board of directors shall sign the minutes.

Article 33

Pension fund members who refuse to accept a ruling of the board in a matter which they have referred to it may refer the matter to a board of arbitration, which shall comprise three persons, one appointed by the fund member in question, one appointed by the pension fund concerned and a third person appointed by the [Financial Supervisory Authority]¹⁾ or another party as specified in the Articles of Association of the fund in question. A ruling by the board of arbitration shall be binding for both parties. The cost of arbitration shall be divided between the parties of the case, with the fund member, however, never paying more than 1/3 of the cost of arbitration. Proceedings before the board of arbitration shall be subject to the Act on Contractual Arbitration.

1) Act no. 84/1998, Article 7.

Article 34

An auditing department or independent supervisory body of the pension fund shall provide [internal auditing]¹⁾ [as provided for in point 2 of the third paragraph of Article 29.]²⁾ [Internal auditing]¹⁾ shall be part of the structure of a pension fund and an aspect of its supervisory system.

The independent supervisory body may be a certified public accountant or other party recognised by the [Financial Supervisory Authority]³⁾.

A pension fund must notify the [Financial Supervisory Authority]³⁾ of any change in the supervisory body pursuant to the first paragraph.

[The pension fund shall employ a person who is qualified to manage the fund's portfolio on the basis of their education and work experience [and they shall have [attained a diploma in securities trading in accordance with Article 53 of the Act on Financial Undertakings].⁴⁾⁵⁾

Pension funds offering two or more options for investment of pension contributions or acquiring pension rights must have, at their service, employees capable of providing advice in this regard. Care must be taken to ensure that such advice is presented objectively and professionally, based on the interests of each fund member. Furthermore, a pension fund shall have presentational materials prepared explaining the advantages and disadvantages of individual options based on different assumptions. In its advertisements and other promotional activities, pension funds must take care to provide correct and detailed information on their activities and services.]²⁾.

1) Act no. 106/2013, Article 5. 2) Act no. 56/2000, Article 6. 3) Act no. 84/1998, Article 7. 4) Act no. 165/2010, Article 40. 5) Act no. 171/2008, Article 8.

Article 35

An auditing department or supervisory body of a pension fund, as referred to in the first paragraph of Article 34, shall, among other things, carry out the following tasks:

1. ascertain that the recording of contributions and pension entitlements is carried out as provided for by law and the Articles of Association of the fund;
2. ascertain that the calculation of pension entitlements is carried out as provided for by law and the Articles of Association of the fund;
3. make proposals to the board on the [organisation of internal Audit]¹⁾ carry out special assessments of the effectiveness of such internal controls;
4. ensure that remuneration is made for all transactions with the assets of the pension fund within normal time limits;
5. monitor compliance with the investment policy and that the return on investments is normal;
6. ascertain that contributions and other disposable assets of a pension fund are disposed of as provided for by law and the Articles of Association of the fund.

[The Central Bank of Iceland]²⁾ sets more detailed rules³⁾ on the tasks of the auditing departments and supervisory bodies of pension funds.

1) Act no. 171/2008, Article 9. 2) Act no. 91/2019, Article 111. 3) Reg. no. 577/2012.

[Article 35 (a).

The pension fund shall appoint an employee of the fund to be responsible for analysis, measurement and reporting on risk, and the nomination shall be notified to the Financial Supervisory Authority. If that employee terminates employment, it shall also be notified to the Financial Supervisory Authority. The person responsible for risk management will not be dismissed or transferred without the approval of the board.

The pension fund's risk management shall be independent of the other units of the fund. The pension fund shall ensure that risk management has sufficient funding and authorisations with regard to, among other things, obtaining the data and information necessary for risk management activities. It shall be ensured that the person responsible for risk management has direct access to the board of directors of a pension fund.

If it is not possible to ensure the separation of duties due to the small size of the pension fund, the pension fund shall ensure that internal control is sufficiently detailed to minimise the likelihood of conflicts of interest.]¹⁾

1) *Act no. 113/2016, Article 3.*

CHAPTER VII

[Minimum insurance coverage. Investment authorisations and investment policies of pension funds.]¹⁾

1) *Act no. 113/2016, Article 10.*

Article 36

[Investment policies of pension funds]

The board of directors of a pension fund shall formulate and announce an investment policy for the fund and its individual divisions and the fund's returns and its individual divisions in accordance with the following rules and within the limits specified in this chapter:

1. The pension fund shall be guided by the interests of fund members.
2. The pension fund shall look at the age composition of the fund members and other actuarial factors that affect liabilities.
3. All investments shall be based on an appropriate analysis of information with the security, quality, liquidity and profitability of the portfolio as a whole in mind.
4. The pension fund shall ensure that the fund's assets are sufficiently diversified to prevent the concentration and accumulation of risk in the portfolio, by among other things, monitoring the correlation between the risk of individual assets and asset classes.
5. The pension fund shall set ethical standards in investments.

The pension fund's investment policy shall be based on the classification of assets according to paragraph 2 of Article 36(a). In addition, for each type of deposit or financial instrument, a breakdown shall be provided where applicable to indicate the currency risk and size of individual depositors or issuers. The investment policy of a pension fund shall be accompanied by a statement of how the fund complies with the rules of the first paragraph.

Pension funds shall send information on their investment policy for the coming year to the Financial Supervisory Authority no later than 1 December each year.]¹⁾

1) *Act no. 113/2016, Article 4.*

[Article 36 (a).

[Financial instruments and deposits.

A pension fund may invest funds which are intended to provide minimum insurance coverage in deposits of commercial banks and savings banks, financial instruments and real estate, provided that the conditions of this chapter are met.

The pension fund shall classify the fund's assets into A – F asset classes, as follows:

1. Asset Class A.
 - a. Financial instruments issued or guaranteed by a member of the Organization for Economic Co-operation and Development (OECD) or a member of the European Economic Area or the Faroe Islands.
 - b. Mortgage debentures, provided that the loan to value ratio does not exceed 75% of the market value of residential housing or 50% of the market value of other real estate when granting a loan.
2. Asset Class B.
 - a. Financial instruments that municipalities or Municipality Credit Iceland Plc. (Lánasjóður sveitarfélaga ohf.) issue or guarantee.
 - b. Deposits in commercial banks and savings banks.

c. Bonds in accordance with the Act on Covered Bonds and corresponding bonds issued in countries within the European Economic Area, in a member state of the European Free Trade Association or in the Faroe Islands.

3. Asset Class C.

a. Bonds and money-market instruments issued by credit institutions and insurance companies, with the exception of claims that have been agreed to give way to all other claims.

b. Shares or units in investment funds in accordance with the Act on Investment Funds...¹⁾ or Directive 2009/65 /EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

4. Asset class D.

a. Bonds and money-market instruments of companies.

b. Bonds and money-market instruments of other funds in collective investments.

5. Asset class E.

a. Company shares

b. Shares or units of other funds for collective investment;]

c. Properties in a member state of the Organization for Economic Co-operation and Development (OECD) or a member of the European Economic Area or the Faroe Islands.

6. Asset class F.

a. Derivatives that reduce the fund's risk [or include only call options or subscription rights]²⁾ provided that the criteria of the authorised investments are as provided for in this article, consumer price indices, securities indices, interest rates or foreign exchange rates.

b. Other financial instruments, excluding derivatives.]³⁾⁴⁾

1) Act no. 45/2020, Article 120. 2) Act no. 108/2020, Article 1. 3) Act no. 113/2016, Article 5. 4) Act no. 171/2008, Article 1.

[Article 36 (b)]

Weight of asset classes, listing and issuance

The pension fund shall ensure that the weight of asset classes as provided for in the second paragraph of Article 36(a) is within the following limits:

1. Assets as provided for in points 3 – 6 shall amount to less than 80% of total assets.

2. Assets as provided for in points 4 – 6 shall amount to less than 60% of total assets.

3. Assets as provided for in point 6 shall amount to less than 10% of total assets.

Financial instruments as provided for in points 2 – 6 of the second paragraph of Article 36(a) shall be listed on a regulated [market]¹⁾ within an OECD member state or state in the European Economic Area which operates on a regular basis, is open to the public and is recognised in a manner deemed valid by the Financial Supervisory Authority or a market outside the European Economic Area, provided that the Financial Supervisory Authority has recognised it. Notwithstanding the first sentence, pension funds are authorised to invest in shares and units in collective investment funds if an authorisation is provided for their redemption at the request of the pension fund at any given time.

Notwithstanding the second paragraph, a pension fund may tie up to 20% of total assets in financial instruments that are not listed on a regulated [market].¹⁾ In addition, a pension fund may tie up to 5% of total assets in financial instruments listed on a Multilateral Trading Facility in the European Economic Area, which operates on a regular basis, is open to the public and is recognised in a manner deemed valid by the Financial Supervisory Authority.

Financial instruments that are not listed on a regulated market¹⁾ shall be issued by parties within OECD member states or states of the European Economic Area.

If derivatives as provided for in point 6 of the second paragraph of Article 36(a) are not listed on a regulated [market]¹⁾, the counterparty of the pension fund shall be subject to supervision which the Financial Supervisory Authority deems valid. It shall also be possible to calculate the value of such agreements on a daily basis in a reliable manner and it shall be ensured that it is possible to sell, settle or close such agreements on the same day at real value at any given time.]²⁾

1) Act no. 115/2021, Article 148. 2) Act no. 113/2016, Article 6.

[Article 36 (c).

Counterparty risk.

A pension fund may tie up to 10% of total assets in financial instruments of the same issuer which fall under points 2–6 of the second paragraph of Article 36(a). Of those a pension fund may not tie more than 5% of the total assets in financial instruments of the same issuer which fall under point 6 of the second paragraph of Article 36(a).

Notwithstanding the first paragraph, a pension fund is authorised to tie up to 10% of total assets in covered bonds of the same issuer, cf. point (c) of the second paragraph of Article 36(a).

The combined assets of a pension fund in financial instruments as provided for in paragraphs 1 and 2 and deposits of the same commercial bank or savings bank shall amount to less than 25% of total assets.

The pension fund shall ensure that counterparty risk arising from derivatives falls within the limits set in paragraphs 1 and 3.

Parties that belong to the same group or belong to a group of affiliated customers, cf. Act on Financial Undertakings, shall be considered as one party in the calculation according to this Article.

A pension fund may not hold more than 25% of units in investment funds or their individual divisions.

A pension fund may not own more than 20% of the share capital in each company or units or shares in other collective investment funds or their individual divisions.

Notwithstanding paragraph 7, a pension fund may own more than 20% in an undertaking, which exclusively handles services for the pension fund.¹⁾

1) Act no. 113/2016, Article 6.

[Article 36 (d).

Currency risk.

Pension funds shall limit their exposure to currency risk by ensuring that at least 50% of their total assets are denominated in the same currency as their liabilities.

A pension fund may fulfil the conditions of the first paragraph with derivatives which limit currency risk in a similar way.]¹⁾

1) Act no. 113/2016, Article 6.

[Article 36 (e).

Risk Management

A pension fund must at all times have a secure risk management system for all its activities. A pension fund shall have adequate and documented internal processes which enable it to analyse, assess, monitor and manage risk in the fund's operations. Internal processes should be reviewed regularly.

Risk management shall take an active part in formulating the pension fund's risk policy and be involved in more extensive decisions on risk management. Risk management shall be notified of all major or unusual transactions of a pension fund before they take place.

The pension fund shall, at least annually and each time there is a major change in its risk profile, conduct its own risk assessment. The risk assessment shall examine the main risk factors that have been analysed in the pension fund's operations, assess their possible effects and report on the measures which the pension fund intends to take if the risk materialises. A report on the above risk assessment shall be presented to the Board and submitted to the Financial Supervisory Authority.]¹⁾

1) Act no. 113/2016, Article 6.

[Article 36 (f).

Exemptions

If a municipality that is the guarantor of a pension fund, makes a deposit on its obligations to the fund by issuing bonds which are not listed on a regulated [market],¹⁾ the fund shall then be allowed to own such securities regardless of restrictions provided for under this chapter.]²⁾

1) Act no. 115/2021, Article 148. 2) Act no. 113/2016, Article 6.

Article 37

[If a pension fund's investment exceeds the permitted limits according to this Act, the Financial Supervisory Authority shall be notified without delay and corrective measures shall be taken immediately. The statutory maximum shall be reached within three months at the latest. The Financial Supervisory Authority may, however, authorise a longer period, provided that this is clearly in the interests of fund members.]¹⁾

1) Act no. 113/2016, Article 7.

Article 38

[A pension fund may not invest in ...¹⁾ chattels except to the extent that it is necessary for the activities of the fund.

Notwithstanding the provision of the first paragraph, a pension fund may without restriction appropriate assets to secure settlement of claims. Such assets must be sold no later than within 18 months of their appropriation. Further deferral of sale is, however, authorised if this clearly serves the interests of the fund. Such deferral of the sale of assets must be notified to the Financial Supervisory Authority, which may demand that the sale be made within an appropriate period.]²⁾

A pension fund may not take out a loan except for investment in real estate necessary for the activities of the fund. A pension fund, however, may avail of general payment deferrals in purchasing securities or take a short-term loan to equalise cash flow.

A pension fund may not grant loans to directors, their alternates, employees of the pension fund, auditors, supervisory bodies, persons carrying out actuarial valuations of the financial situation of the fund, or the spouses of these parties, unless they are members of the pension fund in question; in such cases, this must be in accordance with rules that apply to loans to pension fund members in general.

...¹⁾

1) Act no. 113/2016, Article 8. 2) Act no. 56/2000, Article 9.

Article 39

The net assets of a pension fund for the payment of pensions, together with the present discounted value of future contributions, shall be equal to the present discounted value of prospective pensions arising from contributions already paid and future contributions. A schedule of future contributions and expected pensions shall be based on pension fund members at the time of reference used by an actuarial assessment. Net assets for payment of pensions shall at all times be evaluated in accordance with the provisions of Article 24.

In the event that an actuarial assessment pursuant to Article 24 reveals a difference of more than 10% between asset points and pension obligations in accordance with the first paragraph, the pension fund in question must make the necessary changes to the Articles of Association of the fund. The same shall apply if the difference, according to an actuarial valuation, between asset points and pension commitments has exceeded 5% for a continuous five-year period.

The board of a pension fund must seek the opinion of an actuary as to how changes to the Articles of Association of a pension fund may affect its ability to pay pensions. An actuary of a pension fund must notify the board of the fund immediately if an actuarial valuation reveals that the fund is not capable of fulfilling its obligations. The actuary shall submit proposals for improvements and notify the [Financial Supervisory Authority]¹⁾.

The actuary of a pension fund may not sit on its board of directors, be a member of its staff or perform other work for it apart from the actuarial valuation and advice connected to it.

1) Act no. 84/1998, Article 7.

[Article 39 (a).

Authorisation for the issue of regulation

The Minister shall lay down in a regulation¹⁾ further provisions on the form and content of investment policy, assessment of the returns of pension funds and depositaries of personal pension savings and the implementation of risk management, including its scope in proportion to the size of the pension fund, the position of those who manage risk in the pension fund's organization chart, outsourcing of risk management, risk assessment and reporting.]²⁾

1) Reg. 916/2009, cf. 591/ 2017, 880/2017 and 1127/2018. Reg. no. 590/2017. 2) Act no. 113/2016, Article 9.

[CHAPTER VII A

Additional insurance coverage. Investment authorisations and investment policy.]¹⁾

1) Act no. 113/2016, Article 11.

[Article 39. (b).

Those who invest money intended to provide supplementary insurance coverage shall formulate and announce an investment policy for each investment option in which assets are broken down in accordance with Article 36(a). Risk management shall be in accordance with Article 36(e).

The provisions of Article 36, paragraphs 2-5 of Article 36(b) and Article 37 apply *mutatis mutandis* to the investments of those who provide supplementary insurance coverage.

The combined assets of each investment option in financial instruments covered by points 2 to 6 of the second paragraph of Article 36(a), issued by the same party, shall not exceed 20% of total assets. Parties that belong to the same group or belong to a group of affiliated customers, cf. Act on Financial Undertakings, shall be considered as one party in the calculation according to this Article.

The combined assets of each investment option in derivative contracts shall be less than 10% of total assets. It shall be ensured that counterparty risk arising from derivatives falls within the limits set in the third paragraph].¹⁾

1) Act no. 113/2016, Article 11.

CHAPTER VIII

Annual Accounts and Auditing

Article 40

The board of directors and managing director of a pension fund shall draw up the annual accounts for each accounting year. The annual accounts shall include a balance sheet, cash flow statement, summary of changes in net assets for the payment of pensions and notes. Furthermore, the board of directors shall prepare a report which, together with the annual accounts, shall form a comprehensive whole. The accounting year of a pension fund shall be the calendar year.

The annual accounts shall be signed by the Board of Directors of a pension fund and its managing director. If a member of the board of directors or a managing director contests the annual accounts, this shall be specified with their signature.

The annual accounts shall give a clear picture of the financial situation of the pension fund and changes in net assets for the payment of pensions. They shall be drawn up in accordance with statutory law, rules and sound accounting practices.

The [Financial Supervisory Authority]¹⁾ shall ensure, in consultation with the Icelandic Accounting Standards Board, that a definition on what is regarded as accepted accounting practices for annual accounts of a pension fund is available at all times.

The [Central Bank of Iceland]²⁾ shall set rules³⁾ in consultation with the Icelandic Accounting Standards Board, on the structure of annual accounts, the contents of individual items, the statement of changes in net assets for the payment of pensions, the cash flow statement and explanations, and assessment of individual items.

[Pension funds' annual financial statements shall be accompanied by a statement of the investment policy they follow. In addition, they shall be accompanied by an assessment of the return on their portfolio during the past year. ...⁴⁾⁵⁾

1) Act no. 84/1998, Article 7. 2) Act no. 91/2019, Article 111. 3) Reg. 966/2006, cf. reg. no. 335/2006. 1) Reg. 335/2015, cf. reg. 916/2015, cf. reg. 644/2017, cf. reg. no. 1625/2021. 4) Act no. 106/2013, Article 8. 5) Act no. 56/2000, Article 10.

Article 41

The report of the board of directors shall contain a summary of the activities of the pension fund during the year, together with information on matters relevant to an assessment of the fund's financial position and operating performance during the accounting year which are not presented elsewhere in the annual accounts.

The report of the board of directors, furthermore, shall provide information on the following:

1. events taking place after the settlement date which are of substantial importance,
2. the expected development of the fund and
3. actions which are of importance for its future development.

The report of the board shall provide information on the number of paying fund members during the year, the number of active fund members, i.e. fund members who as a rule contribute to the pension fund regularly each month, the number of pension recipients, the average number of employees during the accounting year, the total amount of salaries, remuneration or other payments made to employees, the board of directors and others in the service of the fund.

Article 42

Audit of a pension fund's accounts shall be performed by a certified public accountant.

The auditor of a pension fund may not sit on its board of directors, be a member of its staff or perform other work for it apart from auditing...¹⁾

Chapter [IX of the Act on Annual Accounts] shall apply *mutatis mutandis* to audits of pension funds, unless otherwise indicated in the present Act.

In the event that an auditor becomes aware of substantial flaws in the operation of a pension fund, or in aspects of its internal controls, collection of contributions, security for payment of loans granted, handling of financial resources or other matters which could weaken the financial position of the pension fund, and if the auditor has reason to believe that statutory law, regulations or rules applicable to its activities have been violated, the auditor shall immediately inform the board of directors of the fund and the [Financial Supervisory Authority]²⁾. The provisions of this Article shall not infringe on the auditor's obligations of confidentiality pursuant to Article 32 of this Act or the provisions of other Acts.

The [Financial Supervisory Authority]²⁾ shall ensure, in consultation with the Association of Certified Public Accountants and other relevant parties, that a definition on what is regarded as accepted auditing practices for auditing the annual accounts of a pension fund is available at all times.

The [Central Bank of Iceland]³⁾ shall establish rules²⁾ on the auditing of pension funds.

1) Act no. 106/2013, Article 9. 2) Act no. 84/1998, Article 7. 3) Act no. 91/2019, Article 111. 4) Reg. no. 685/2001.

Article 43

The audited annual accounts of a pension fund, together with the report of the board of directors, shall be forwarded to the [Financial Supervisory Authority]¹⁾ directly upon their signing and no later than four months after the conclusion of each accounting year. The principal results of the annual accounts shall be made public and shall be in a harmonised format as determined by the [Financial Supervisory Authority]¹⁾. Such principal results shall be available for inspection at the place of business of the pension fund in question and be accessible to fund members.

1) Act no. 84/1998, Article 7.

CHAPTER IX

Supervision

Article 44

The [Financial Supervisory Authority]¹⁾ shall monitor that the activities of pension funds [and depositaries of pension savings]²⁾ comply with the provisions of this Act, regulations and rules issued thereunder, and the approved Articles of Association of the pension funds. The [Financial Supervisory Authority]¹⁾ shall have access to all documents and information from the pension funds [and depositaries of pension savings]²⁾ which it considers necessary for such supervision. ...³⁾

The [Financial Supervisory Authority]¹⁾ may instruct the board of directors of a pension fund to conduct an actuarial valuation of the financial situation of the fund carried out based on premises other than those used in the fund's regular valuations if the [Authority]¹⁾ is of the opinion that the fund's financial situation gives grounds for such.

In the event that the [Financial Supervisory Authority]¹⁾ receives notification pursuant to the fourth paragraph of Article 42 or if it has, for other reasons, grounds to suspect that the [operations and financial position of a pension fund or depositaries of pension savings]²⁾ are substantially deficient, the Authority shall demand the necessary data from the directors and auditors immediately. Such data shall be delivered within two weeks of the receipt of such demand.

If the [Financial Supervisory Authority]¹⁾ deems the activities of a pension fund [or depositaries of pension savings]²⁾ to be in violation of the provisions of this Act, or regulations or rules issued in accordance with it, or the approved Articles of Association of the pension fund, or to be otherwise irregular, unsound or unstable, it may grant the fund concerned a reasonable period to rectify the situation, except in the case of a serious violation.

[The Financial Supervisory Authority may demand any sort of documentation or information from pension funds' subsidiaries or affiliates, [or depositaries of pension savings]²⁾ which the Financial Supervisory Authority regards as necessary in the course of its supervision of the pension fund concerned.]³⁾

1) Act no. 84/1998, Article 7. 2) Act no. 171/2008, Article 12. 3) Act no. 11/2000, Article 19.

Article 45

[The Act on Official Supervision of Financial Operations shall apply to supervision by the Financial Supervisory Authority, where applicable. Provisions on daily fines, administrative fines and the search and seizure of data contained in the Act may be applied to gather information and carry out supervision as provided for in this Act.]¹⁾

1) Act no. 11/2000, Article 20.

CHAPTER X

Supervisory party, dissolution and mergers

Article 46

In the event that a pension fund no longer satisfies the conditions of this Act for an operating permit, as provided for in Chapter V, is no longer solvent in the opinion of the [Financial Supervisory Authority]¹⁾, violates the provisions of this Act or regulations or rules established hereunder or the approved Articles of Association of the pension fund, or its operations are deficient and demands made by the [Financial Supervisory Authority]¹⁾, as referred to in Article 44, are not responded to, the Minister may, acting upon proposals of the [Financial Supervisory Authority]¹⁾, appoint a supervisory party for a specified period.

The board of directors and managing director of the pension fund shall be relieved of their duties during the period in which the supervisory party operates. The supervisory party shall assume the rights and obligations of these parties in accordance with the detailed provisions of a formal statement of his duties issued by the Minister. Costs arising from the work of a supervisory party shall be paid by the pension fund concerned.

1) Act no. 84/1998, Article 7.

Article 47

The appointment of a supervisory party shall be reasoned and shall be notified to the pension fund concerned in writing. In addition, a notice of the appointment shall be published in the *Legal Gazette* and advertised in the media.

The obligation for paying contributions to the pension fund in question is suspended as of the date a notification of the appointment of a supervisory party is published in the *Legal Gazette*. If payment of contributions to the fund ceases, the insurance obligations shall be fulfilled through membership in and payment of contributions to the General Pension Fund or other pension fund approved by the [Minister].¹⁾

The Minister may, acting upon a proposal from the supervisory party, decide to dissolve a pension fund. In such case, the Minister shall appoint a three-member winding-up committee to handle the dissolution of the pension fund or the transfer of its activities to another pension fund. The winding-up committee shall assume all the competencies of the board of directors, which shall be suspended from that time forth. The winding-up committee shall decide whether the fund shall be dissolved by merging it with another fund or by other means, as provided for in the second and third paragraphs of Article 49.

1) Act no. 126/2011, Article 254.

Article 48

A decision on the dissolution of a pension fund, whether by merger or other means, shall be made by its board of directors, unless otherwise provided for in the Articles of Association of the fund or the provisions of Article 47 apply.

A decision on the dissolution of a pension fund shall be immediately notified to the Ministry¹⁾ and the [Financial Supervisory Authority]²⁾.

If an agreement is reached to merge the pension fund completely with another fund, a notice to creditors shall be issued in accordance with the second paragraph of Article 49 and their assets shall be kept separate until the time limit has expired and any claims submitted have been satisfied. The assets do not, however, have to be kept separate if all the creditors agree or are provided with satisfactory guarantees.

The assets of the pension fund shall become the property of the pension fund with which it is merged. Care shall be taken in transferring and determining pension entitlements to ensure that none of the individual members of either fund shall suffer a loss of entitlements as the result of the merger. The Minister may, by means of a regulation, establish further provisions for the assessment of pension entitlements in this respect.

1) Act no. 126/2011, Article 254. 2) Act no. 84/1998, Article 7.

Article 49

The directors of the fund or the party who, pursuant to the Articles of Association of the fund, has decided that the fund shall be dissolved, shall immediately appoint a three-member winding-up committee, which shall assume the duties of the board of directors and managing director of the fund, provided a winding-up committee has not already been appointed in accordance with the third paragraph of Article 47.

The winding-up committee shall have an invitation to the creditors of the fund published twice in the *Legal Gazette*, inviting them to present their claims within two months of the first publication of the invitation; it shall have the same legal effect as the notice to creditors in bankruptcy proceedings.

The assets of a pension fund remaining when its debts have been discharged shall accrue to the General Pension Fund. The entitlements of fund members and pension recipients, moreover, shall be equated with entitlements in the General Pension Fund in direct proportion to the relationship between the assets of the fund accruing to the General Pension Fund and the total pension obligations of the

fund, as evaluated in accordance with the provisions of this Act. The Minister may, by means of a regulation, establish further provisions for the assessment of pension entitlements in this respect.

CHAPTER XI

Pension funds in operation at the time of entry into effect of this Act

Article 50

Pension funds operating in accordance with special legislation shall be exempt from the provisions of Article 21 and the provisions of Chapters V and X. Moreover, they shall be exempt from the provisions of Article 3 and Chapter III, provided that the legislation concerned provides for the contribution base and entitlements. The provisions of the third paragraph of Article 14 shall, however, apply to these funds.

Article 51

[Pension funds guaranteed by state or local authorities or banks shall be exempt from the provisions of Articles 21, 23 and 39.]¹⁾

1) Act no. 56/2000, Article 11.

Article 52

Pension funds intending to continue to receive contributions after the entry into effect of this Act shall, within one year of its entry into effect, send an application for an operating permit to the Ministry.¹⁾ The application shall be accompanied by the Articles of Association of the fund, an actuarial valuation, together with other information determined by the Minister. If a fund does not have a sufficient number of fund members as provided for in Article 21, the application shall indicate when and how the fund intends to comply with the requirement of the Article, as provided for in Article 25. In other respects, the provisions of Chapter V, on operating permits, shall apply to the granting of an operating permit.

In the event that a pension fund has not submitted an application for an operating permit, together with the required documentation, within the time limit prescribed in the first paragraph, the fund shall be regarded as not complying with the provisions of this Act to acquire an operating permit and its case shall be handled in accordance with the provisions of Chapter X.

1) Act no. 126/2011, Article 254.

Article 53

Pension funds in operation upon the entry into force of this Act, which intend only to pay pensions for rights already acquired, shall notify the [Ministry]¹⁾ of such intention within one year of the entry into force of the Act; they shall be granted operating permits for this purpose, upon receipt of the opinion of the [Financial Supervisory Authority].²⁾ [The entitlement of fund members to pension payments from funds operating in accordance with the Article shall be governed by the regulations applicable to the funds in question on the entry into effect of this Act. Provisions on members' entitlement, however, may be altered to accord with an agreement between employees' and employers' organisations, provided that such change neither violates Chapter III of the Act nor is deemed to illegitimately curtail the relative entitlements earned by individual members or others enjoying entitlements, nor to have a significant financial impact with regard to the funds' assets and pension obligations. In assessing this, account shall be taken, among other things, of the opinion of the actuary of the fund in question, which must accompany any request for changes. Changes to provisions on entitlements must be indicated in the approved Articles of Association for the funds concerned. In other respects, this Act shall apply *mutatis mutandis* to the funds concerned where applicable.]³⁾

1) Act no. 126/2011, Article 254. 2) Act no. 84/1998, Article 7. 3) Act no. 56/2000, Article 12.

Article 54

Pension funds operating in accordance with an official Regulation issued in accordance with Act No. 55/1980 and guaranteed by national or local authorities or [banks, or which enjoyed such guarantees as of 31 December 1997, may continue to operate on an unchanged basis with regard to contributions and]¹⁾ rights provided with respect to those persons who are members upon the entry into force of this Act. [A pension fund pursuant to the first sentence, which no longer enjoys guarantees, is under obligation to make the necessary amendments to its Articles of Association in accordance with the provisions of the second paragraph of Article 39. Such amendments shall take account of the provisions of Article 4 on minimum insurance coverage].²⁾ [Pension funds guaranteed by the state or local authorities choosing to continue to operate on an unchanged basis with regard to entitlements, however, may change their references with respect to drawing pensions on the basis of successor, as provided for in the funds' regulations, so that their pensions will change in accordance to average changes to daytime salaries of public servants in accordance with the wage index of Statistics Iceland, but pension funds guaranteed by banks may use other wage indices published by Statistics Iceland, provided the partners to the collective bargaining agreements of the fund member concerned have reached an agreement thereto.]³⁾ The pension fund must notify the [Ministry]⁴⁾ of such an intention within one year of the entry into effect of this Act and shall be granted an operating permit for such purpose.

In the event that the fund chooses to accept contributions from new fund members, these persons shall be members of a special department of the fund, the Articles of Association of which shall comply with the requirements of this Act. An application for an operating permit for such a department must be made within the same time limits as prescribed in the first paragraph.

For at least one year following the entry into effect of this Act, persons who are members of a pension fund covered by the provisions of this Article shall be given the option of membership in an entitlement system or other pension fund which complies with the requirements of this Act, [provided such an option has not been offered prior to the entry into effect of the Act.]¹⁾

1) Act no. 148/1998, Article 4. 2) Act no. 167/2006, Article 2. 3) Act no. 141/2002, Article 1. 4) Act no. 126/2011, Article 254.

CHAPTER XII Miscellaneous provisions

Article 55

Violations of the provisions of this Act shall be subject to fines or imprisonment for a term of up to one year, if no greater penalties are stipulated for such infringements under the General Penal Code. In the event of violations on behalf of legal entities, the aforementioned penalties may be imposed on their management and, in addition, legal entities may be fined.

Article 56

The [Minister]¹⁾ is responsible for the implementation of this Act and may establish further provisions for such implementation by means of a Regulation.²⁾

1) Act no. 126/2011, Article 254. 2) Reg. 391/1998, cf. 742/1998, 224/2001, 293/2003 and 961/2006. Reg. 698/1998, cf. no. 9/1999. Reg. no. 916/2009. Reg. no. 443/2012. Reg. no. 861/2012. Reg. no. 618/2013. Reg. no. 1099/2013. Reg. no. 962/2015. Reg. no. 306/2019. Reg. no. 875/2019.

Article 57

The cost of publishing announcements under this Act shall be borne by the pension fund concerned.

Article 58

This Act shall enter into force on 1 July 1998. ...

Transitional Provision

I.

Until such time as operating permits pursuant to Chapter XI are granted, the activities of pension funds shall be governed by the approved regulation which applied upon the entry into effect of this Act, provided that the authorisation for the operation of the pension funds has remained in effect.

II.

In 2001, the Minister of Finance shall have a report prepared on developments in pension matters proceeding from the adoption of this Act. The report shall particularly examine the manner in which pension funds have altered their Articles of Association and offered fund members additional options in the composition of their pension rights, as provided for in Article 4, given that one of the objectives of the Act is to increase the options open to fund members. In the event that it becomes apparent that pension funds have generally not offered additional options, taking into account the minimum requirements as provided for in Article 4, the Minister of Finance shall, in consultation with interested parties, prepare a draft bill amending this Act in order to achieve its objective.

[III.

Notwithstanding the provisions of Article 36, pension funds operating on the entry into effect of Act No. 129/1997 are not required to sell assets in order to satisfy the requirements provided for in that Article.

Pension funds that have acquired unlisted securities on the basis of point 9 of the first and third paragraphs of Article 3 of Article 36 of Act No. 129/1997, are not required to sell unlisted securities acquired prior to the entry into effect of this Act.

Bonds pursuant to the third paragraph of Article 33 of Act No. 1/1997, which the Pension Fund for State Employees has accepted, as well as bonds which the Pension Fund of Employees of the City of Reykjavik has accepted, as payment of obligations prior to the entry into effect of Act No. 129/1997, are exempt from the restrictions of the second paragraph of Article 36.

Bonds accepted by divisions A of the Pension Fund for State Employees (LSR) and the Brú Pension Fund as payment in accordance with Temporary Provisions IX, X and XIII in the Act on the State Employees' Pension Fund are exempt from the restrictions in the second paragraph of Article 36]¹⁾²⁾

1) Act no. 127/2016, Article 9. 2) Act no. 56/2000, Temporary Provisions.

[IV.

Notwithstanding the provisions of the third and sixth sentences of the fifth paragraph of Article 36, a pension fund may own or tie up a higher proportion of its net assets in deposits and securities than provided for therein until 1 January 2006.]¹⁾

1) Act no. 70/2004, Article 6.

[V.

Currents collective wage agreements stipulate that the minimum contribution to a pension fund shall be 10%, in which case it is permitted to continue to refer to the proportional number 10% contained in the second sentence of the first paragraph of Article 2 of this Act until such time as a new collective wage agreement enters into effect.]¹⁾

1) Act no. 167/2006, Article 3.

[VI.

[[Notwithstanding the provisions of the first sentence of the second paragraph of Article 39, a pension fund shall be permitted to have a difference of up to 15% between assets and future liabilities for pensions based on an actuarial examination for the year 2011 and a difference of up to 13% for the years 2012, 2013 and 2014, without being obliged to make changes to the Articles of Association of the fund.]¹⁾ The provisions of the first paragraph of Article 39 that the net assets of a pension fund for

the payment of pensions, together with the present discounted value of future contributions, shall be equal to the present discounted value of prospective pensions arising from contributions already paid and future contributions do not apply to actuarial examinations for the years 2011, [2012, 2013 and 2014].¹⁾

When assessing whether a pension fund falls under the second sentence of paragraph 2 of Article 39, it shall be based on a 10% difference between assets and pension liabilities in the years [2008, 2009, 2010], 2) 2011, 2012, [2013 and 2014].³⁾⁴⁾

[Notwithstanding the provisions of the second sentence of paragraph 2 of Article 39 and with reference to the second paragraph of this provision, a pension fund may have a difference of more than 10% between assets and pension obligations continuously for up to [seven years]³⁾ from the year 2008.]²⁾⁵⁾

1) Act no. 105/2015, Article 1. 2) Act no. 106/2013, Article 10. 3) Act no. 96/2014, Article 1. 4) Act no. 156/2011, Article 2. 5) Act no. 171/2008, Article 13.

[VII.

[Notwithstanding the provisions of the 4th sentence of paragraph 5 of Article 36, a pension fund may own up to 20% of the share capital of partnerships limited by shares New investments or new liabilities in such companies, in excess of the limits set in the 4th sentence of paragraph 5 of Article 36, are not permitted after 31 December [2015].¹⁾²⁾³⁾

1) Act no. 129/2014, Article 1. 2) Act no. 130/2009, Article 40. 3) Act no. 171/2008, Article 13.

[VIII.

[Notwithstanding the provisions of Articles 11 and 12, the beneficiary of personal pension savings may in the period between 1 April 2020 to [1 January 2022]¹⁾ apply for the payment of personal pension savings, which have accrued from additional contributions as provided for in Chapter II to the depositary according to paragraphs 3 – 5 of Article 8 and payments shall be made in accordance with what is further laid down in this provision.

During the period specified in the first paragraph, payment of the beneficiary's personal pension savings and interest may commence, for an amount [1 April 2021]¹⁾ that totals up to ISK 12,000,000, regardless of whether the total amount of personal pension savings is in the custody of more than one depositary. This amount shall be paid out in equal monthly payments, less withholding tax, in accordance with the Act on the Withholding of Public Levies at Source, within a period of 15 months from the time the request for payment is submitted to the depositary. The payout period is reduced proportionally if the amount is less than ISK 12,000,000.

If a beneficiary requests the payment of personal pension savings according to paragraph 2, the beneficiary shall submit an application to that effect to the relevant depositary. If the beneficiary has personal pension savings with more than one depositary, they shall state this in their application.

Depositaries of personal pension savings decide on the applications of beneficiaries in accordance with paragraph 2 and oversee the payment of their personal pension savings.

Debt collectors are not permitted to demand that debtors withdraw their personal pension savings in accordance with this provision, cf. paragraph 2 of Article 8.

The Directorate of Internal Revenue monitors the payment of personal pension savings in accordance with this provision.

The Minister is authorised under the regulations²⁾ to set further provisions on supervision arrangements and the payment of personal pension savings.

The payment of personal pension savings according to this provision does not affect benefits under the Social Security Act and the Social Assistance Act. Furthermore, the payment does not affect the payment of housing benefits as provided for in the Housing Benefit Act, the payment of child allowances or interest rebates as provided for in Article 68 of the Income Tax Act, unemployment

benefits according to Article 36 of the Unemployment Insurance Act and Payments to Parents of Chronically ill or Severely Disabled Children, cf. Article 22 of Act no. 22/2006.]³⁾⁴⁾

1) Act no. 36/2021, Article 3. 2) Reg. 290/2009, cf. no. 385/2020. 3) Act no. 25/2020, Article 9. 4) Act no. 13/2009, Article 3.

[IX.

During the period [1 April 2020 to [1 January 2022]¹⁾²⁾ the custodian of personal pension savings may defer payments of personal pension savings if the conditions provided for in this provision are met.

Deferral as provided for in paragraph 1 shall be general and only applied under special circumstances and if it is in the interest of the beneficiaries of personal pension savings to do so. Deferral of payment shall be immediately notified to the Financial Supervisory Authority and be subject to its approval, cf. Article 44. The deferral shall also be announced publicly.

The Financial Supervisory Authority may demand that the payment of personal pension savings be deferred if the interests of the beneficiaries of the savings or the public require it.]³⁾

1) Act no. 36/2021, Article 4. 2) Act no. 25/2020, Article 10. 3) Act no. 13/2009, Article 3.

X. ...¹⁾²⁾

1) Act no. 73/2011, Article 13. 2) Act no. 73/2011, Article 12.

[XI.

[Notwithstanding the provisions of the first paragraph of Article 15, it is not permitted during the period from [1 January [2022]¹⁾ to 31 December [2022]¹⁾²⁾ to allow general increases that may occur in disability pension payments in accordance with Social Security Act no. 100/2007 and Social Assistance Act no. 99/2007 lead to a reduction in the disability pension of pension fund members.]³⁾⁴⁾

1) Act no. 131/2021, Article 22. 2) Act no. 133/2020, Article 24. 3) Act no. 137/2014, Article 3. 4) Act no. 106/2011, Article 3.

[XII. ...¹⁾²⁾

1) The provision was valid from 1 January 2012 to 1 October 2012, as provided for in Act no. 156/2011, Article 4, cf. Act no. 60/2012, Article 31. 2) Act no. 156/2011, Article 3.

[XIII.

Notwithstanding the provisions of the first sentence of paragraph 2 of Article 31, board members of a pension fund may sit on the boards of other pension funds until 1 July 2012.]¹⁾

1) Act no. 156/2011, Article 3.

[XIV.

When levying public fees in 2012...¹⁾, parties covered by point 6 of Article 4 of Income Tax Act no. 90/2003, and pension funds operating under special legislation, pay a special fee to the Treasury amounting to 0.0814% of net assets for the payment of pensions, cf. Article 39, as it is at the end of the previous year. The due date is 1 November 2012...¹⁾ and the deadline is 15 days later. Payment shall be made in advance on the levied fee on 31 December 2011...¹⁾ and that payment is based on net assets for the payment of pensions as it was at the end of 2010...¹⁾ and the tax rate provided for in this provision. Levies and collections are subject to the provisions of Chapters X–XIII of Income Act no. 90/2003, as applicable.]²⁾

1) Act no. 146/2012, Article 26. 2) Act no. 156/2011, Article 3.

[XV.

Notwithstanding the provisions of the second sentence of the first paragraph of Article 24 of the Act, the contribution of pension funds as provided for in Article 6 of the Act on Vocational Rehabilitation and the Operation of Vocational Rehabilitation Funds in the years 2012, 2013, 2014,

[2015, 2016, [2017, 2018, [2019, [2020, [2021 and 2022]¹⁾]²⁾]³⁾]⁴⁾]⁵⁾ shall not be estimated with an actuarial assessment of the fund's financial situation.]⁶⁾

1) Act no. 131/2021, Article 23. 2) Act no. 133/2020, Article 25. 3) Act no. 135/2019, Article 19. 4) Act no. 138/2018, Article 20. 5) Act no. 106/2013, Article 11. 6) Act no. 60/2012, Article 30.

[XVI.]

Notwithstanding the provisions of Articles 11 and 12, the beneficiary of personal pension savings is entitled to use additional contributions, due to salary payments in the period 1 July 2014 to [30 June 2023],¹⁾ to pay down the principal of loans taken out for the acquisition of residential housing for own use. It is a condition that the loans be secured against collateral in residential property and that interest expenses on them form the basis for calculating interest rebates.

The authorisation of an individual as provided for in paragraph 1 is limited to up to 4% of the contributions of a beneficiary or 333 thousand ISK, and up to 2% of the employer's contributions or 167 thousand ISK of the contribution base, or at most a total of 500 thousand ISK in a calendar year. For couples or individuals, who fulfil the conditions of joint taxation as provided for in paragraph 3 of Article 62 of Act no.90/ 2003, the authorisation is limited to up to 4% of the contributions of a beneficiary or 500 thousand ISK, and up to 2% of the employer's contributions or 250 thousand ISK of the contribution base, or at most a total of 750 thousand ISK in a calendar year. Payments on loans can, however, never amount to more than the deposits of the beneficiary from paid contributions at any given time. It is a condition that contributions must be paid regularly and that the beneficiary's contribution must never be lower than the employer's contribution as provided for in the 1st sentence. A beneficiary's application for payments on a loan pursuant to paragraph 1 shall be sent electronically directly to the Directorate of Internal Revenue in the form they decide. The application is valid for contributions after the application is received, although the application can be valid from 1 July 2014 if it is received before 1 September of the same year.

The applicant is obliged to electronically inform the Directorate of Internal Revenue of any changes in the assumptions of the application, such as changes in marital status, loans and depositaries of personal pension savings.

Depositaries and lenders, as applicable, shall, at the request of the Directorate of Internal Revenue, confirm whether the information provided by the applicant is correct.

The Directorate of Internal Revenue shall keep a register of information necessary for the implementation of this provision. The register shall, among other things, contain the following information:

1. Information from the applicant that has been confirmed by the depositaries of personal pension savings and lenders, as applicable.
2. Information from lenders on loan repayment terms.
3. Information which the Directorate of Internal Revenue possesses on the basis of tax administration, as necessary.

After receiving information as provided for in paragraph 6, payment can be made.

Depositaries shall have access to information about their counterparties from the register of the Directorate of Internal Revenue, cf. paragraph 6. The depositaries shall also allocate contributions to the lenders selected by the applicants at least four times a year, for the first time in November 2014 and thereafter at least every three months. [Depositaries may, however, allocate paid contributions to lenders less frequently than every three months, provided that the applicant's selected loans have less than four due dates per year.]²⁾ Depositaries shall allocate payments to lenders at a time when the payments can go into the repayment of the principal of the selected loans as provided for in the 1st sentence of paragraph 9. Information on payments shall be sent electronically to the Directorate of Internal Revenue.

Lenders shall allocate the payments from depositaries, pursuant to paragraph 8, to the repayment of the principal of the selected loans. If loans are in default, payments shall be made in accordance with the traditional payment order as provided for in the loan terms. If the applicant has benefited

from loan payment adjustments on the basis of Act no. 63/1985, cf. Act no. 107/2009, payments shall first be allocated to paying down debt in the netting account.

Debt collectors are not permitted to demand that debtors allocate contributions in accordance with this provision, cf. paragraph 2 of Article 8.

The Minister is authorised under the regulations³⁾ to set further requirements on the implementation of the provision, regarding i.a. the application process, payments, supervision and costs.]⁴⁾

1) Act no. 65/2021, Article 1. 2) Act no. 55/2015, Article 1. 3) Reg. no. 991/2014. 4) Act no. 40/2014,

Article 1

[XVII.

Notwithstanding the provisions of Articles 11 and 12, the beneficiary of personal pension savings may withdraw an additional contribution that has been paid during the period 1 July 2014 to [30 June 2023]¹⁾ and use it for the acquisition of residential housing for own use, but no later than [30 June 2023].¹⁾

It is a condition that the beneficiary may not be the owner of the residential housing during the period in which the authorisation is used.

The authorisation of an individual as provided for in paragraph 1 is limited to up to 4% of the contributions of a beneficiary or 333 thousand ISK, and up to 2% of the employer's contributions or 167 thousand ISK of the contribution base, or at most a total of 500 thousand ISK in a calendar year...¹⁾ For couples or individuals, who fulfil the conditions of joint taxation as provided for in paragraph 3 of Article 62 of Act no.90/ 2003, the authorisation is limited to up to 4% of the contributions of a beneficiary or 500 thousand ISK, and up to 2% of the employer's contributions or 250 thousand ISK of the contribution base, for a maximum of 750 thousand ISK in a calendar year...¹⁾. However, payouts can never amount to more than the deposits of the beneficiary from paid contributions in the period from 1 July 2014 to [30 June 2023].¹⁾ It is a condition that contributions must be paid regularly and that the beneficiary's contribution must never be lower than the employer's contribution as provided for in the 1st sentence.

An application to use personal pension savings for the acquisition of residential housing for one's own use shall be sent electronically directly to the Directorate of Internal Revenue in the form they decide. In the application the applicant shall present the documents proving that the conditions of paragraph 1 are met. A notarised purchase agreement, transfer or registration of the residential housing in the National Registry, together with confirmation from the National Registry that the beneficiary is not a registered owner of other residential housing are among the documents that can be considered satisfactory according to the 2nd sentence.

The Directorate of Internal Revenue passes on the information in the application to the appropriate depository, which confirms the payment history of contributions and pays out the contributions.

Debt collectors are not permitted to demand that debtors allocate personal pension savings in accordance with this provision, cf. paragraph 2 of Article 8.

The Directorate of Internal Revenue monitors the paying out of contributions in accordance with this provision.

The Minister is authorised under the regulations²⁾ to set further requirements on the implementation of the provision, regarding i.a. the application process, payouts, supervision and costs.]³⁾

1) Act no. 65/2021, Article 2. 2) Reg. no. 991/2014. 3) Act no. 40/2014, Article 1.

[XVIII.

Notwithstanding the provisions of Article 39, employers' contributions to pension funds in the public sector shall be 11.5% for the State Employees' Pension Fund and 12% for Division A of the

Brú Pension Fund until 1 June 2017 and 11.5% from 1 June 2017 until otherwise agreed in a collective agreement.

The Board of Directors of the Brú Pension Fund shall, before 1 June 2017, adapt the Articles of Association of Division A of the Fund in the same manner as provided for in Temporary Provision VIII of the Act on the Pension Fund for State Employees, as applicable, including the retirement age, age-related accrual of rights, supplementary pension funds and contingency funds, as provided for in Transitional provisions IX – XIV of the Act on the Pension Fund for State Employees.]¹⁾

1) Act no. 127/2016, Article 9.

[XIX.

If a pension fund or depository of personal pension savings owns assets in excess of the limits set out in Article 36(b), Article 36(c) and Article 36(d), it may continue to own them, but it shall endeavour to comply with the provisions of the Act as soon as possible and no later than 31 December 2020.

The Financial Supervisory Authority may, however, authorise a longer period, provided that this is clearly in the interests of fund members.]¹⁾

1) Act no. 113/2016, Article 12.

[XX.

Notwithstanding the provisions of the Articles of Association of pension funds regarding default interest, the board of a pension fund may set rules on the collection of default interest which is lower than penalty interest, as provided for in Article 6 of the Act on Interest and Indexation, due to contributions, pursuant to the 1st paragraph of Article 2, which are in arrears. The authorisation covers the contribution payment period from 1 January 2020 to 1 January 2021.]¹⁾

1) Act no. 25/2020, Article 11.

[XXI.

Notwithstanding the provisions of paragraph 7 of Article 36(c), a pension fund may hold up to 35% rather than 20% of units or shares in collective investment funds or their individual divisions, but never in excess of 1% of their total assets in each collective investment fund according to this paragraph. The authorisation applies to collective investment funds that only invest in small or medium-sized enterprises as provided for in points 1 and 2 of Article 3 of the Act on Support for Innovative Enterprises. Redemptions from the funds shall not take place until five years have elapsed since they began investing.

The authorisation provided for in paragraph 1 is valid until 1 January 2025, but the pension fund will not be required to redeem units or shares invested in on its basis.]¹⁾

1) Act no. 37/2020, Article 4.