

NOTIFICATION TO LV CONCERNING THE ALLOCATION OF PART OF THE MINIMUM CONTRIBUTION PURSUANT TO THE COLLECTIVE BARGAINING AGREEMENT TO SPECIFIED PERSONAL PENSION SAVINGS IN THE PENSION FUND'S C-DIVISION

Fund member's name:		Member's Id. No.:
Address:		Location and postal code:
Mobile tel.:	Home tel.:	E-mail address:

RATIONALE FOR NOTIFICATION

- 1) Based on the collective agreement which applies to my work for my employer, contributions of 15.5% are paid on my behalf to LV (14% from 1 July 2017 to 1 July 2018 and 15.5% after that).
- 2) Of this 15.5% contribution I am authorised, based on the collective agreement, to pay a contribution of as much as 3.5% to specified personal pension savings, as defined in the pension fund's Articles of Association (2% from 1 July 2017 to 1 July 2018 and 3.5% after that).
- 3) This notification is sent based on Act No. 129/1997, as subsequently amended, the collective bargaining agreement upon which my entitlement is based and the Articles of Association of LV.
- 4) Allocation of the contribution pursuant to this notification shall be implemented no later than two months after receipt of this notification.
- 5) The substance of this notification may be altered with a new notification. Such allocation will not alter the allocation of those contributions which have already been placed pursuant to earlier notification.
- 6) Regarding the authorisation of fund members to allocate contributions to specified personal pension savings to another pension fund or other custodian of pension savings, reference is made to information on LV's website, www.live.is, or other similar venue which may replace the pension fund's website in the future.

DECISION:

1) Allocation of part of contributions to specified personal pension savings (to a maximum of 3.5%)

A ____% contribution shall be allocated to specified personal pension savings in the pension fund's C division. (if you wish to have more than a 2% contribution placed in specified personal pension savings, after 1 July 2018 the current 2% will increase to up to 3.5%.)

Important! I am aware that this decision will affect the entitlement which my contributions will create in the pension fund. Contributions to specified personal pension savings are my personal property and, in the case of my death, will accrue to my heirs according to the rules of the Inheritance Act. By allocating contributions to specified personal pension savings I am not acquiring, on the basis of these contributions, entitlement to a lifelong pension, disability pension (including extrapolation), or spouse's pension. There is therefore a difference in the nature of the rights which I will earn in a mutual fund, on the one hand, and through specified personal pension savings, on the other, in accordance with the fund's current Articles of Association.

2) Investment of contributions for specified personal pension savings

a) Selection of Ævileið investment option

One investment option must be selected. If no option is selected the contributions will be invested as provided for in the Ævilína age-referenced route.

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|--------------------------|---------------------------------------|--|
| <input type="checkbox"/> | Ævileið 1 – Long-term option: | The objective is to have the portfolio deliver a good long-term return with effective diversification of assets. |
| <input type="checkbox"/> | Ævileið 2 – Cautious option: | The objective is to have the portfolio deliver a steady long-term return with limited risk. |
| <input type="checkbox"/> | Ævileið 3 – Withdrawal option: | The objective is to preserve the accumulated assets while delivering a positive real return. |

Ævilína – Automatic age-referenced transfer between investment options

Transfer contributions and balance from Ævileið 1 to Ævileið 2 at age 55 years and from Ævileið 2 to Ævileið 3 when withdrawals begin.

Changes to investment option: Fund members can change their investment option and transfer their accumulated specified personal pension savings between investment options. Requests to this effect must be sent to the fund on a form provided by the fund.

Further details on the investment strategies of the investment options: Assets are invested in accordance with the investment strategy followed at any given time. The investment strategy is revised as a rule once each year. The current investment strategy is accessible to members, for instance, on the fund's website. Investment options and age references are laid down in the fund's investment strategy. The pension fund may alter these rules without specific consent of fund members, provided they are notified thereof with suitable notice in accordance with the heading **Proviso regarding changes** at the end of this section.

b) Request for transfer of contributions to specified personal pension savings to another custodian

Note: If a transfer of contributions to another custodian is requested, LV's Ævileið 1 investment option (see point a) cannot be selected.

I request that LV transfer that portion of my contributions placed in specified personal pension savings to the following custodian of pension savings with whom I have concluded an agreement.

Name of custodian _____

NOTE: I am aware that this notification will not take effect until the pension fund has received a copy of the agreement which I have concluded with the above-mentioned custodian for receipt of contributions to specified personal pension savings or other agreement which the pension fund accepts as valid.

RULES ON WITHDRAWALS FROM C DIVISION (SPECIFIED PERSONAL PENSION SAVINGS)

- 1) **Withdrawal upon retirement:** A fund member may begin withdrawals from C division at 62 years of age, in which case the payments must be distributed at least over the period which remains until the fund member reaches 67 years of age.

At the rightholder's request, derogations can be made from the above withdrawal period if the balance on the account is less than ISK 500,000. This reference amount will change each year to reflect changes in the CPI from the base index of 173.5.

- 2) **Withdrawal in the case of disability:** If a rightholder becomes disabled and the fund's medical officer assesses the loss of work capacity suffered as 100%, the member is entitled to withdraw his/her C division balance in equal annual instalments over a period of seven years. If the percentage of disability is below 100% the annual payments will decrease in proportion to the decrease in disability and the withdrawal period is correspondingly lengthened. At the rightholder's request, derogations can be made from the above withdrawal period if the balance on the account is less than ISK 500,000. This reference amount will change each year to reflect changes in the CPI from the base index of 173.5.
- 3) **Withdrawal following member's death:** Upon the death of a member with a positive balance in his/her personal C division account, this balance will be paid to the member's heirs in accordance with the rules of the Inheritance Act on legal heirs. If a rightholder is not survived by a spouse or child the balance will accrue to his/her estate, in which case the restriction in the second sentence of the second paragraph of Art. 8 of Act No. 129/1997, as subsequently amended, will apply.

INFORMED CONSENT

The choice of whether contributions shall be placed in specified personal pension savings in C division rather than in the mutual insurance division is made by individual fund members. By sending this notification the fund member confirms having acquainted him-/herself with the rules which apply to insurance coverage in the fund's A division, on the one hand, and the rules which apply to specified personal pension savings in C division, on the other hand. The member is also aware that further information concerning the selection can be obtained from employees in the fund's offices, and that the fund's calculator can be used to gain a better idea of the nature of his/her entitlements to a retirement pension and extrapolated disability pension from the fund.

For information purposes, a few points are mentioned here regarding the difference in mutual insurance entitlement in A division, on the one hand, and in specified personal pension savings in C division, on the other.

1) Entitlement in A division, mutual insurance division

With their contributions fund members earn the entitlement to retirement and disability pensions, and to spouse's and child's pensions for their families, as provided for in Articles 11 to 15 of the fund's Articles of Association and the fund's entitlement Tables I-IV, which are published in annexes to the Articles and form an integral part of them.

Age-related earning of entitlement and indexation of entitlement: The entitlement earned is determined by the fund member's age at the end of the working month for which contributions are paid to the pension fund. Entitlement is inflation-indexed and changes in tandem with changes to the Consumer Price Index (CPI) from the month for which contributions are paid.

Equalised earning of entitlement, special rule: Fund members who held entitlements at year-end 2005 may pay contributions to the fund up to a specific maximum with equalised earning of entitlement, according to specific rules in the fund's Articles of Association, see Art. 11. It can be important for fund members eligible for equalised earning of entitlement to ensure they avail themselves fully of this authorisation. Information on contributions for equalised earning of entitlement can be obtained at the fund's offices or on the fund members' website of the respective member organisations.

Retirement pension from the mutual insurance division is paid to the end of life, as provided for in Art. 12 of the fund's Articles. The normal age to begin drawing a pension is 67 years, but drawing of pensions can begin earlier or later in accordance with provisions of the fund's Articles.

Disability pensions: A member who has not yet reached 67 years of age and suffers a loss of work capacity is entitled, pursuant to specific provisions in the fund's Articles of Association, to a disability pension from the fund based on the entitlement earned prior to the loss of capacity, provided he/she has contributed to the pension fund for a total of 24 months and has verifiably suffered a reduction in income due to the loss of capacity.

Entitlement to extrapolated disability pension: If certain conditions are satisfied a fund member has the right to have his/her disability pension entitlement extrapolated, together with earned entitlement in accordance with specific provisions in the fund's Articles of Association. The extrapolation entitlement is in addition to entitlement earned and is intended to represent the entitlement which the member would have earned at age 65 if he/she had continue to contribute to the fund. The extrapolation is based on the average entitlement earned in the last three calendar years prior to the loss of capacity.

Spouse's pension: Upon the death of a fund member, who has paid contributions to the fund for at least 24 of the past 26 months, or 6 of the past 12 months, or who was receiving a retirement or disability pension from the fund, his/her surviving spouse is entitled to a pension from the fund in accordance with provisions of the fund's Articles.

Several points which should be borne in mind:

- The amount of the spouse's pension is equivalent to 60% of the fund member's pension entitlement and includes both earned entitlement and possible extrapolated entitlement, see the detailed rules in the fund's Articles of Association.
- Full spouse's pension, in accordance with the detailed rules in the Articles, is always paid to a surviving spouse for at least 36 months, provided their marital estate was not divided prior to the death. However, a surviving spouse always receives a spouse's pension until the youngest child dependent upon the fund member reaches the age of 23 years if the child is dependent upon the spouse. The entitlement to a spouse's pension is cancelled if the spouse remarries or cohabits with a partner in a relationship equivalent to marriage, or enters into a registered partnership.

- Special rules apply to spouses of fund members born before 1945, see detailed provisions in the fund's Articles of Association.

Child's pension Upon the death of a fund member, who has paid contributions for at least 24 of the past 36 months, or for 6 of the past 12 months, who was receiving a retirement or disability pension, or who acquired the right to extrapolation pursuant to the fund's Articles, any surviving children or adopted children are entitled to a pension from the fund until 20 years of age in accordance with specific rules in the fund's Articles. The child's pension is a specific amount rather than a percentage entitlement.

2) Pension savings in C division for specified personal pension savings

- i) Pension savings in specified personal pension savings are the personal property of the fund member concerned. Rules on withdrawal are specified in the fund's Articles of Association and in the section **Rules on Withdrawals from C Division** above. Among the points mentioned there is that the savings are free for withdrawal from 62 years of age spread over a certain period of years, upon loss of capacity if the disability is more than 50%, and over a certain period of years following the death of a fund member and in such case in accordance with the rules of the Inheritance Act.
- ii) A fund member chooses an **investment option** for his/her specified personal pension savings.

3) General

- i) Entitlement in a mutual insurance division can be a valuable insurance entitlement. Because of their nature payments on its basis can amount to a higher or lower amount than the accrued contributions which have been paid to the fund. In the mutual insurance division there is a connection between the amount of contributions paid and the entitlement a fund member earns. As a result, if a fund member decides to allocate part of his/her contributions to specified personal pension savings in C division instead of to the mutual insurance A division the member will earn less mutual insurance entitlement but correspondingly higher specified personal pension savings.
- ii) **Among the risks of the mutual insurance division** is so-called demographic risk, which arises for instance from longevity of fund members, the frequency of disability among fund members, and the general frequency of marriage and number of children of fund members in general. The mutual insurance entitlement also depends upon the return on the investments of the mutual insurance division. In addition, a situation can arise where the fund must increase or reduce the entitlement in the mutual insurance division. This could be affected in particular by actuarial and demographic factors, as well as the return on the assets of the mutual insurance division and price level developments.
- iii) **Among the risks of the division for specified personal pension savings** are the development of returns and the possibility that the fund member could exhaust his/her pension savings in a shorter period than they are needed for living expenses or other purposes. While assets in specified personal pension savings are inherited as provided for by law upon the death of fund members, they do not provide entitlement to spouse's or child's pension in the same manner as the mutual insurance division.
- iv) **Entitlement is based on current Articles of Association.** Attention is drawn to the fact that the information recounted here concerning entitlement in the mutual insurance division and in specified personal pension savings is presented solely for the purpose of simplifying members' decisions. Provisos are made concerning possible errors or

inaccuracies. Should any of this information be inconsistent with provisions of the fund's Articles of Association, the latter take precedence. It is therefore important for fund members to acquaint themselves thoroughly with the fund's Articles of Association. It should also be underlined that entitlement pursuant to the Articles may change as time progresses.

PROVISO REGARDING CHANGES

- 1) The rules which apply to specified personal pension savings as described in this notice are based on LV's current Articles of Association. The rules may be amended in accordance with the appropriate procedures for amending the Articles by law. The law states, among other things, that the Minister must confirm the substance of changes to Articles of Association, after receiving the opinion of the Financial Supervisory Authority (FME), before they can take effect.
- 2) The investment strategy for the investment option selected is based on LV's investment strategy as determined by the pension fund's Board of Directors at any given time. Any changes made to the investment strategy will be advertised on the pension fund's website.
- 3) The fund is authorised to close a particular **investment option** and transfer fund members' accumulated holdings in specified personal pension savings to a new **investment option** if this results from changes in the pension fund's investment strategy. It is also authorised to alter the age references for automatic transfer between investment options and to make other changes considered necessary by the pension fund. Such changes need only be advertised on the fund's website and/or with a letter addressed to the domicile of fund members as listed with Registers Iceland and/or with a message to the member's personal area of the fund's website, currently titled "Sjóðfélagavefur". Notification can also be given by other means, provided this is based on the pension fund's Articles of Association or other rules approved by competent authorities (this refers to unforeseen technological changes in the future).

Location

Date

Member's signature

Confirmation on behalf of LV