

# *Jme*

*(Draft translation from Icelandic)*  
7 January 2000.

## **Rules Regarding Annual Accounts of Pension Funds no. 55/2000.**

### CHAPTER I

#### **Scope**

##### Article 1

The present Rules apply to pension funds that operate according to Act no.129/1997 and special legislation.

### CHAPTER II.

#### **General provisions**

##### Article 2

An annual account shall be drawn up for each financial year. A report from the board of directors shall also be prepared, and the report and the annual account shall form a single entity. The annual account shall consist of a statement of changes in net assets for pension payments, a balance sheet, a statement of cash flow, and explanatory notes. A pension fund that operates in financially separate divisions shall present separate statements consisting of statements of changes in net assets for pension payments, balance sheet, statement of cash flow, and explanatory notes.

The provisions of these Rules apply to consolidated accounts where applicable. In a parent undertaking, a consolidated account shall be drawn up. A consolidated account shall consist of a report of the board of directors, a profit and loss account, a balance sheet, a statement of cash flow and explanatory notes.

##### Article 3

The annual account and a consolidated account shall be clear and drawn up in conformity with legal requirements, directives and generally accepted accounting principles, and represent clearly any changes in net assets for pension payments in the financial year, and financial position by year-end. If the provisions of law, or generally accepted accounting principles are not sufficient to give a clear view of changes in net equity for pension payments, and financial position, it is necessary to provide further information in explanatory notes.

The layout of the annual account shall be in conformity with previous statements, unless special circumstances call for changes. All changes shall be specified and accounted for in explanatory notes.

##### Article 4

The layout and itemisation of the annual account shall in principal respects be the same as shown in Appendix I, which is a part of these Rules, and names of items and their sequence shall be as stated there.

Items with insubstantial amounts may be joined with other items.

Further specification can be made for special items if it serves the purpose of clarifying the annual accounts, provided that the names and sequence of specified items are not changed.

A statement of cash flow shall account for deposits and payments, disposable funds to purchase securities and other changes incash and current (accounts). Definitions of terms in the statement of cash flow are shown in Appendix II.

##### Article 5

Amounts from previous annual account shall be included next to relevant items in the statement of changes in net assets for pension payment and the balance sheet. Individual items shall be comparable between years, else items from the previous year shall be adjusted and changes accounted for in the explanatory notes.

If there is no amount under a specific item, it shall be mentioned in the annual account if an amount appeared under the same item for the previous year.

## Article 6

If an assets or liabilities item appertains to more than one item in Appendix I, the relation shall be mentioned, either where the item is entered, or in explanatory notes if this is necessary for the understanding of the annual account.

## CHAPTER III

### **Individual entries in the statement of change in net assets for pension payments**

#### *Premiums*

#### Article 7

Under item 1, *Premiums*, shall be entered the total amount of premiums and other contributions, paid or unpaid, that form the basis for rights claims on the pension fund before the end of the financial year.

The premiums shall be entered minus repayed and disallowed premiums that do not grant any rights.

Premiums from fund members shall be entered under item 1.1, *Premiums from fund members*.

Regular premiums from employers shall be entered under item 1.2, *Premiums from employers*.

Under item 1.3, *Transfer of rights and repayments*, shall be entered the total amount that has been paid or received because of transfer of rights or repayment of premiums. Inflation adjusted income/expenses from transfer of rights are also entered under this item.

Under item 1.4, *Special additional contributions*, shall be entered special additional premiums from employer or principal/guarantor, or special contributions from other parties that can be classified as additional premiums. If these are divisions for private pensions, additional premiums shall be entered under income items 1.1 and 1.2.

#### *Pension*

#### Article 8

Under item 2.1, *Pension*, shall be entered the total amount of old age pension, disability pension, spouse pension and children's pension in the annual financial year. Itemisation of pension types, with comparison to the previous year, shall be included in the explanatory notes.

Under item 2.2, *The Pension Committee*, shall be entered payments from the committee.

Under item 2.3, *Other direct expenses from disability pensions*, shall be entered other direct expenses such as disability assessment cost and rehabilitation cost.

Under item 2.4, *Insurance expenses*, shall be entered the cost of buying insurance for risk distribution of pension obligations of the fund.

#### *Investment income*

#### Article 9

Under item 3, *Investment income*, shall be entered the investment income of the fund.

Under item 3.1, *Income from consolidated undertakings*, shall be entered the fund's share in the yield from consolidated undertakings during the financial year.

Under item 3.2, *Income from affiliated undertakings*, shall be entered the fund's share in the yield from affiliated undertakings during the financial year.

Under item 3.3, *Income from holdings*, shall be entered dividends from shares. Changes in the price rate of shares shall be entered, currency changes included, (which are entered at market price) market to market, as well as profit or loss from the sales of quoted shares.

Under item 3.4, *Income from real estate/buildings and premises*, shall be entered the profit or loss of the management of real estate and premises, and where applicable, the calculated rental income from real estate in ownership of the pension fund, used for its own operation. All management cost shall be deducted, except interest rates that shall be entered amongst interest expenses under item 4.2.

Under item 3.5, *Interest income and exchange rate difference*, shall be entered the interest income, inflation adjustments and other corresponding income from the fund's investments, including inflation adjustments of bonds and other monetary assets. Bank rates and premiums of bonds that are not entered at market price shall be distributed in accordance with the original required return. Exchange rate difference due to conversion of foreign currencies into ISK shall also be entered here, ath.(þó) cf. item 3.3. Under this income item shall be entered collected lending fees of bonds that are entered under

asset item 2.3. Net profit or loss from sales of bonds shall also be entered here. Interest rates on premiums and premium claims shall furthermore be entered here.

Under item 3.6, *Income from (changes in) investment valuation*, shall be entered the net increase in the book value of these assets at the end of the financial year, cf. provisions of Article 28, from their book value at the beginning of the financial year that are not to be entered under other items. Investments shall be entered at cost price if they have been made during the financial year.

Under item 3.7, *Profit from sale of investments*, shall be entered the net profit from sales of investments, in accordance with asset items 2.1 and 2.2, *Real estate* and *Consolidated and affiliated undertakings* and 2.3.6, *Other investments*, as well as unquoted shares in accordance with asset item 2.3.1, *Variable yield securities*. The profit is the difference between the sale price and the book value at the date of sale.

Under item 3.8, *Changes in reduction*, shall be entered the reductions from assets items 2.3 and 3, *Other investments* and *Claims*, cf. also articles 28 and 33. These shall be accounted for in the explanatory notes.

Under item 3.9, *Other investment income*, shall be entered the income from assets item 2.3.6, *Other investments*. Under this income item shall be entered the income from bond assets other than entered under item 3.5, *Interest income and exchange rate difference*.

Under item 3.10, *Calculated income or expenses from price changes*, shall be entered the effects of price changes on monetary assets and liabilities, based on changes in the consumer price index, cf. Article 35. The balancing entry for the calculated effect of price changes, shall be entered under item 10 in the statement of changes in net assets for pension payments.

Investment income from consolidated and affiliated undertakings under items 3.4 – 3.9 shall be separately mentioned in the explanatory notes.

### *Investment expenses*

#### Article 10

Under item 4, *Investment expenses*, shall be entered all the fund's investment expenses.

Under item 4.1, *Office and management expenses*, shall be entered the cost of managing the fund's investments during the financial year.

Under item 4.2, *Interest expenses*, shall be entered the interest expenses, indexation and exchange rate difference of liabilities. Also to be entered under this item is the realisation of bank rates or premium of liabilities that are not entered at market price. The realisation shall be distributed in accordance with the original required return.

Under item 4.3, *Cost of (changes in) investment valuation*, shall be entered the net decrease in the book value of these assets at the end of the financial year, cf. provisions of Article 28, from their book value in the beginning of the financial year that are not to be entered under other items. Investments shall be entered at cost price if they have been made during the financial year.

Under item 4.4, *Loss on sale of investments*, shall be entered the net loss on sale of investments, in accordance with asset items 2.1 and 2.2, *Real estate* and *Consolidated and affiliated undertakings* and 2.3.6, *Other investments*, as well as unquoted shares in accordance with asset item 2.3.1, *Variable yield securities*. The loss is the difference between sales price and book value at date of sale.

Under item 4.5, *Other investment expenses*, shall be entered expenses related to asset item 2.3.6, *Other investments* as well as expenses in connection with the fund's lending. The fees of securities companies for managing investments in accordance with article 17, shall also be entered here.

### *Operating expenses*

#### Article 11

Under item 5, *Operating expenses*, shall be entered the operating expenses of the fund, other than office and management expenses in accordance with item 4.1, and the direct cost from disability pensions in accordance with item 2.3. *Office and management expenses* refers to staff related cost, rental cost (calculated rental cost of own housing included), cost of office equipment and depreciation of assets that are entered under asset item 4.1 in the balance sheet, and other general office cost.

Under item 5.1, *Office and management expenses*, shall be entered office and management cost other than mentioned under item 4.1.

Under item 5.2, *Other operating expenses*, shall be entered other management cost than those mentioned under items 2.3, 2.4, 4.1, and 5.1.

# Time

## *Other income*

### Article 12

Under item 6, *Other income*, shall be entered regular income that is not mentioned under other items. This item shall be accounted for in the explanatory notes.

## *Other expenses*

### Article 13

Under item 7, *Other expenses*, shall be entered regular expenses not mentioned in other items. This item shall be accounted for in the explanatory notes.

## *Extraordinary income and expenses*

### Article 14

Under item 9, *Extraordinary income and expenses*, shall be entered extraordinary income under item 9.1 and extraordinary expenses under item 9.2. These items include events and transactions that are unusual and unexpected, and are not in connection with the fund's main operation, while representing significant amounts.

Such items shall be accounted for in the explanatory notes.

## *Changes in valuation*

### Article 15

Under item 10, *Changes in valuation*, shall be entered the changes in valuation of fixed assets and other effects of general price changes on the changes in net assets for pension payments and balance sheet/financial position, cf. article 35.

## CHAPTER IV

### **Individual items on the balance sheet**

#### *Assets*

#### *Intangible assets*

### Article 16

Under item 1, *Intangible assets*, shall be entered long-term cost and other intangible rights that have been earned through payment. This item shall be itemised in the explanatory notes. The cost of establishing the fund shall not be capitalised.

#### *Investments*

### Article 17

Under item 2.1, *Real estate and premises*, shall be entered real estate and premises owned by the fund, completed and under construction, including prepayments for houses or premises and for any rights attached. Real estate and premises that the fund uses for its own purposes shall be mentioned separately in the explanatory notes.

Under item 2.2, *Consolidated and affiliated undertakings*, shall be entered holdings in consolidated and affiliated undertakings and lending, which is considered as the fund's investments and which are not general receivables.

Under item 2.3.1, *Variable yield securities*, shall be entered transferable securities such as stocks, unit shares and other variable yield securities, or securities that depend on the publisher's yield.

Under item 2.3.2, *Fixed rate securities*, shall be entered transferable bonds and other fixed rate securities, issued by credit institutions, public bodies or other undertakings. Bonds and other securities refer to securities that are e.g. restricted to an index, e.g. stock index or currency exchange rate, whether the interest rate is fixed or follows a specific interest reference. Accrued interest shall be accounted for along with the securities under this item.

Under item 2.3.3, *Mortgages*, shall be entered lending, accrued interest included, with collateral in real estate or cash, as a guarantee for payment. The apportionment of mortgages to fund members and others shall be accounted for in the explanatory notes.

Under item 2.3.4, *Other lending*, shall be entered lending, accrued interest included, other than those that fall under items 2.3.2 or 2.3.3. If this is a substantial amount, it shall be accounted for in the explanatory notes.

Under item 2.3.5, *Bank deposits*, shall be entered deposits in banks and savings banks, other than current deposits, which shall be entered under item 4.2.

Under item 2.3.6, *Other investments*, shall be entered investments, appropriated assets included, which are not accounted for under other items. If this is a substantial amount, it shall be accounted for in the explanatory notes.

Apportionment of investments by main foreign currencies shall be accounted for in the explanatory notes, if the risk distribution from currencies is low.

The market price of investment items in 2.3.1 – 2.3.6 that are not marked to market shall be accounted for in the explanatory notes, if applicable.

Share assets, in accordance with item 2.3.1, shall be itemised in the explanatory notes by undertakings, and whether the undertaking is quoted on a regulated market. The fund's ownership in each undertaking shall be accounted for, along with market price and book value. It is not necessary to itemise share assets where the fund's ownership in individual undertakings is less than 2%. Share assets shall however, be itemised if the book value in individual undertakings exceeds 0.5% of net assets for pension payments.

For a pension fund that operates in financially separate divisions, the above-mentioned itemisation shall apply to each division.

## *Claims*

### Article 18

Under item 3.1, *Claims on consolidated and affiliated undertakings*, shall be entered the total amount of claims on consolidated and affiliated undertakings that do not fall under item 2.2. These claims shall be itemised by nature in the explanatory notes, in accordance with items 3.2 – 3.3.

Under item 3.2, *Claims on employers*, shall be entered the total amount of claims on employers, such as premium claims and reclaims, securities and claims due to payment agreements that are usually not valid for more than one year. Securities and contracts that are valid for a longer period of time, shall be entered under appropriate investment items.

Under item 3.3, *Other claims*, shall be entered claims that do not fall under other items. If these are substantial amounts, they shall be accounted for in the explanatory notes.

## *Other assets*

### Article 19

Under item 4.1, *Operating and other tangible assets*, shall be entered operating and tangible assets, other than real estate and premises under item 2.1, such as furnishings, equipment, and related prepayments.

Under item 4.2, *Cash and current deposits*, shall be entered cash and current deposits in banks and savings banks.

Under item 4.3, *Other assets*, shall be entered assets not found under other items. If such assets are substantial, they shall be accounted for in the explanatory notes.

## *Prepaid cost and accrued income*

### Article 20

Under item 5, *Prepaid cost and accrued income*, shall be entered expenses established in the financial year but concerning subsequent years, and income that concerns the financial year but is collected after it ends. Accrued interest shall be entered under appropriate asset items. If the item is a substantial amount, it shall be accounted for in the explanatory notes.

# Time

## **Liabilities. Obligations** Article 21

Under item 6, *Obligations*, shall be entered amounts due to obligations that will be used to settle debts, certain obligations or cost in the financial year or from previous years, when the amount is unknown or it is uncertain when payment is due. If this is a substantial amount, it shall be accounted for in the explanatory notes.

## *Accounts payable* Article 22

Under item 7.1, *Amounts owed to consolidated and affiliated undertakings*, shall be entered the total amount of debts to affiliated undertakings, accrued interest included. These debts shall be itemised by nature in the explanatory notes, in accordance with items 7.2-7.4.

Under item 7.2, *Amounts owed to credit institutions*, shall be entered the total amount of debts owed to credit institutions, accrued interest included.

Under item 7.3, *Bonds*, shall be entered the fund's borrowings, accrued interest included, that are not to be entered elsewhere.

Under item 7.4, *Other liabilities*, shall be entered debts not entered under other items, accrued interest included. If these are substantial amounts, they shall be accounted for in the explanatory notes.

## *Accruals and deferred income* Article 23

Under item 8, *Accruals and deferred income*, shall be entered expenses that concern the financial year but will be paid later, and income that has been collected in the financial year but which concerns subsequent financial years and does not fall under other items. Accrued interest shall be entered along with appropriate liability items. Substantial amounts under this item shall be itemised in the explanatory notes.

## CHAPTER V **Valuation rules** *General provisions*

### Article 24

Valuation of individual items of the annual account shall be done with prudence, and only income that is earned before the end of the financial year shall be entered. All foreseeable obligations that have been made in the financial year or in previous years shall be allowed for. The valuation shall be done in a similar manner each year.

### Article 25

The same valuation methods shall be used within the same item of the annual account when dealing with investments, cf. article 17. The valuation methods used in individual investment items shall be accounted for in the explanatory notes.

## *Permanent operating resources, etc.*

### Article 26

Intangible assets in accordance with item 1, real estate in accordance with item 2.1, and permanent operating resources in accordance with item 4.1, shall be entered at current value of the cost price. The current value of cost price is the cost price revalued in accordance with changes in the consumer price index, cf. article 35.

The revalued cost of assets cf. paragraph 1 with a limited useful life, cf. paragraph 1, shall be depreciated systematically. However, intangible assets shall be depreciated for a maximum of five years.

# Time

## Article 27

If the real value of assets cf. article 26 is lower than their book value, and the reasons are not believed to be temporary, their book value shall be entered in accordance with the lower price value. The reduction shall be entered under item 9.2, *extraordinary expenses* in the statement of changes in net assets for pension payments.

If the value of assets has been reduced and the reason for the reduction is no longer appropriate, their former value shall be reinstated.

## Securities

### Article 28

Bonds shall be capitalised in conformity with the required rate of return(?) agreed upon when the bonds were purchased or received, on the condition that the required rate of return generally is in conformity with the market rate. If there is a change in the market rates that is considered to be permanent and have material effects, allowance shall be made for such changes in the valuation of bonds, and the valuation change shall be entered under items 3.6 and 4.3 in the statement of changes in net assets for pension payments.

Bonds shall be entered with accrued interest, calculated inflation adjustment and exchange rate differences on the accounting day. Calculated inflation adjustment shall aim at the appropriate index number of the next month after the end of the financial year. Bonds in foreign currency shall be entered at the buying-rate of the currency at the end of the financial year.

When bonds are evaluated appropriate provisions must be made for possible risk of loss, and such reduction entered under item 3.8, *Changes in reduction*, in the statement of changes in net assets for pension payments.

### Article 29

Shares shall enter in current value of cost price or at market price, depending of which is lower at the end of the financial year, cf. article 30.

Unit shares shall be entered at market price at the end of the financial year.

### Article 30

Shares that are quoted on a regulated market shall be entered at market price. A regulated market refers to the following:

1. The Icelandic Stock Exchange and parallel stock exchanges within the European Economic Area.
2. Other stock markets within the EEA, where securities are bought and sold and open to the general public, which operate regularly and are recognised by the Financial Supervisory Authority.
3. Markets, cf. item 1 and 2, that are outside the European Economic Area and that are recognised by the Financial Supervisory Authority.

Increase or decrease in the market price of quoted shares shall be entered under item 3.3 in the statement of net assets for pension payments, but an increase or decrease in the market price of unit shares shall be entered under item 3.5 in the same statement. If the securities that fall under the same item are also valued according to article 28 or 29, the relevant item shall be dissected in the balance sheet with regard to article 25.

### Article 31

When investments are entered in a restatement of cost price, their expected market price shall be stated in the explanatory notes.

When investments are quoted on regulated market, the market price is the price on the financial year's last registration day, unless there is reason to depart from this rule due to special circumstances and such instances shall be accounted for in the explanatory notes.



## *Holdings in subsidiaries and affiliated undertakings*

### Article 32

The pension fund's holdings in subsidiaries and affiliated undertakings shall be entered in accordance with proportional method, in conformity with the fund's holdings in the equity of such undertakings. If a subsidiary uses different methods of valuating assets and liabilities from those applied by the fund, such assets and liabilities shall be revaluated with the methods used in the parent undertaking, unless the difference is not material.

### *Claims*

### Article 33

Claims shall be valued with regard to risk of loss and provisions for losses on loans entered in accordance with the outcome of the valuation. Provision for loss on loans shall be formed by specific and general provisions that are deducted from the appropriate items on the balance sheet. Provisions for loss on loans shall be entered under item 3.8 *Changes in reduction* on the statement of changes in net assets for pensions payments.

### Article 34

Assets and liabilities in foreign currencies shall be converted into ISK in accordance with the official exchange rate at the end of each financial year. The official exchange rate advertised by the Central Bank of Iceland shall be used, applying the buying-rate to assets, and the selling-rate to liabilities.

### *Effects of price changes*

### Article 35

The effects of price changes on the operations and financial position of the pension fund shall be calculated in the following manner and entered into the annual account, as complies with generally accepted accounting principles:

1. Effects of price changes on financial assets and liabilities shall be calculated and entered under item 3.10 on the statement of changes in net assets for pensions payments.
2. Assets in accordance with articles 26 and 29 shall be revaluated by restating their initial acquisition cost and accrued depreciation until the end of the financial year and be entered under the appropriate asset items.

The calculated effects of price changes shall be entered under item 10 in the statement of changes in net assets for pension payments.

The effects of price changes in accordance with this article shall be accounted for in the explanatory notes.

## CHAPTER VI

### **Explanatory notes**

#### *General provisions*

### Article 36

The explanatory notes shall disclose information on the items specified in chapters II – V.

*In the statement of change in net equity for pension payments:*

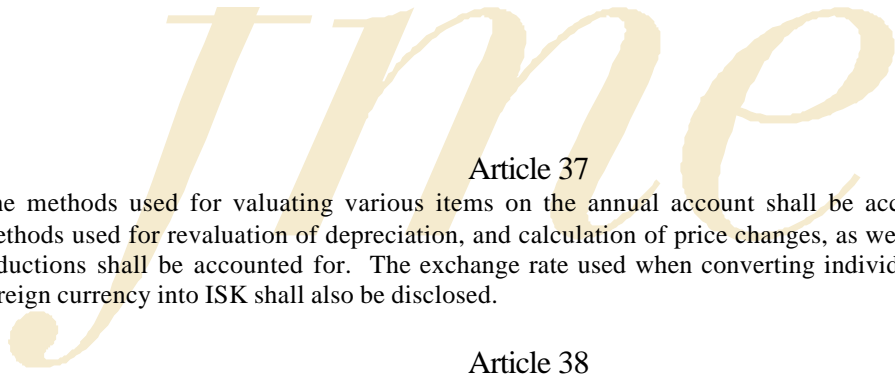
*Chapter III:* Item 2.1 in article 8, items 3.5 – 3.10 in article 9, item 6 in article 12, item 7 in article 13, and item 9 in article 14.

*On the balance sheet:*

*Chapter IV:* item 1 in article 16, items 2.1, 2.2, 2.3.3, 2.3.4 and 2.3.6 as well as paragraphs 9.-12.in article 17, items 3.1 and 3.3 in article 18, item 4.3 in article 19, item 5 in article 20, item 6 in article 21, items 7.1 and 7.4 in article 22, and item 8 in article 23.

The appropriate explanations shall be referred to under respective item in the annual account.





**Article 37**

The methods used for valuating various items on the annual account shall be accounted for. The methods used for revaluation of depreciation, and calculation of price changes, as well as increase and reductions shall be accounted for. The exchange rate used when converting individual items from a foreign currency into ISK shall also be disclosed.

**Article 38**

When amounts are not comparable between years on the balance sheet or the statement of changes in net assets for pensions payments, the explanatory notes shall include the reasons for this and the effects it may have on the comparability of individual items.

**Article 39**

The fund's pension liabilities shall be accounted for in the explanatory notes or a special statement, in accordance with the outcome of an actuarial survey, cf. the following itemisation:

	<b>Accrued obligations</b>	<b>Future obligations</b>	<b>Total obligations</b>
<b>Assets:</b>			
Net assets for pension payments.....	_____	_____	_____
Present value of securities	_____	_____	_____
Present value of future premiums	_____	_____	_____
Total assets	_____	_____	_____
<b>Liabilities:</b>			
Old age pension	_____	_____	_____
Disability pension	_____	_____	_____
Spouse pension	_____	_____	_____
Children's pension	_____	_____	_____
Operating expenses	_____	_____	_____
Total obligations	_____	_____	_____
<b>Net assets in surplus of total obligations:</b>	_____	_____	_____
<b>Proportional to obligations:</b>	_____	_____	_____

**Article 40**

The names and legal forms of subsidiaries and affiliated undertakings shall be stated. Holdings in each of these undertakings, equity and operating results in accordance with the last annual account shall be mentioned. The name of the parent company that makes the consolidation statement shall be stated if the undertaking is a subsidiary.

The provisions of paragraph 1 on information on equity and operating results of individual undertakings can be departed from, if holdings are less than 50% of equity of the relevant undertaking and the information has insubstantial significance/not material or if it can cause damage to the relevant undertaking, provided reasons are mentioned.

**Article 41**

The explanatory notes shall contain the names, addresses and legal form of companies with unlimited liabilities, which the fund is party to. It is unnecessary to provide this information if it has no substantial value.

*Asset items*

**Article 42**

For the asset items 1, *Intangible assets*, and 2.1, *Real estate*, and 4.1, *Operating resources*, changes in the book value in the year shall be accounted for in conformity with generally accepted accounting principles.

## Article 43

The latest official appraisal of real estate value and the insurance value of permanent operating resources shall be accounted for.

The book value of real estate that the pension fund uses for its own purposes shall be accounted for. The cost shall be calculated proportionally if the fund uses part of the property.

## Article 44

The total amount of lending and guarantees that have been granted to the board of directors, general manager and other managers of the fund and individuals closely related to them shall be accounted for.

The provisions of paragraph 1 do not apply when such lending is comparable to the loans granted to fund members as regards their amount and terms.

## *Liabilities items*

### Article 45

Contracts that have been made with the board of directors, general manager and employees concerning pensions and comparable rights shall be accounted for, as well as the relevant total amounts. Accrued commitments of the fund due to this shall be itemised for board of directors, general manager and other managers on one side and employees on other side.

### Article 46

If a pension fund has taken a mortgage against its assets, the amount mortgaged shall be disclosed and the net book value of mortgaged assets itemised by assets.

### Article 47

Active derivatives trading shall be disclosed as regards type of trading, the amounts of contracts and their impact on the annual account. The purpose of such trading shall be disclosed, e.g., reduction of the impact of changes in interest rates, exchange rates of foreign currencies, and changes in market value. Income and expenses due to this trading shall be listed under items 3 *Investment income* or 4 *Capital expenditure* in the statement of change in net assets for pension payments.

### Article 48

Information regarding financial obligations other than those listed in the balance sheet shall be disclosed insofar as it is relevant to the assessment of the financial position. If the fund has made rental contracts of substantial amounts, such commitments shall be disclosed specifically.

## *Five year statement*

### Article 49

The annual account shall include a statement containing the principal summaries and key figures from the profit and loss accounts and balance sheet for the fund as a whole for the financial year as well as the equivalent information for the preceding 4 years. The statement shall disclose the following.

1. Net real rate of return
2. Average net real rate of return for the last five years
3. Proportional division of other investments cf. item 2.3 in the balance sheet.
  - Quoted variable yield securities %
  - Quoted fixed rate securities %
  - Unquoted variable yield securities %
  - Unquoted fixed rate securities %
  - Mortgages %
  - Other investments%
4. Proportional division of other investments cf. item 2.3 in the balance sheet by currency.
  - Total assets in ISK %
  - Total assets in foreign currencies %
5. Number of members
6. Number of pensioners
7. Proportional division of payments:
  - Old age pension %

Disability pension%  
Spouse pension%  
Children's pension%

8. Financial position in accordance with an actuarial survey:  
Net assets in surplus of total obligations %  
Net assets in surplus of accrued obligations %

Information in accordance with paragraph 1 shall be comparable between years, as far as possible. Special notice shall be made if it is not so and why. If it is not possible to include figures that can be compared between years, a statement for a shorter period than 5 years may be issued. Detailed definitions of the key figures in accordance with paragraph 1 are in Appendix III.

## CHAPTER VII Report of the board of directors

### Article 50

The report of the board of directors shall contain a statement on the fund's operation during the year, as well as items that are important to the assessment of profit/loss and financial position that are not stated elsewhere in the annual account.

The report shall furthermore disclose the following:

1. events of significant importance taking place after the accounting date
2. the expected development of the fund and
3. measures affecting the future development of the fund.

The report of the board shall provide information on the number of paying members during the year, the number of active members, i.e. number of members that pay a premium to the fund on a regular basis each month, number of pensioners, average number of employees during the year, the total amount of salaries, compensations or other payments to employees, board members and others working for the fund.

### Article 51

The annual account as well as the report of the board of directors and the endorsement of a chartered accountant shall be made available at the offices of the fund after its approval. The audited annual account of a pension fund along with the report of the board of directors shall be sent to the Financial Supervisory Authority immediately after its endorsement and no later than four months after the end of the financial year.

## CHAPTER VIII Entry into effect

### Article 52

These Rules are issued pursuant to powers granted in Article 40, paragraph 5, of Act no 129/1997 regarding mandatory pension insurance and operations of pension funds, cf. item 10, Article 7 of Act no 84/1998 regarding amendments of special provisions in the legislation regarding financial supervision. They enter into force immediately and shall be used in the making of a annual account for the year 1999. At the same time Rules regarding the annual accounts of Pension funds from 22 October, 1997, shall cease to apply.

The Financial Supervisory Authority, 7 January, 2000.

Páll Gunnar Pálsson

Ragnar Hafliðason

STATEMENT OF CHANGE IN NET EQUITY  
FOR PENSION PAYMENTS

<b>1. Premiums</b>		
1.1	Premiums from members	_____
1.2	Premiums from employers	_____
1.3	Rights transfer and repayment	_____
1.4	Special additional contributions	_____
	<i>Premiums</i>	_____
<b>2. Pension</b>		
2.1	Pension	_____
2.2	Pension administrations board	_____
2.3	Other direct cost from disability pensions	_____
2.4	Insurance cost	_____
	<i>Pension</i>	_____
<b>3. Investment income</b>		
3.1	Income from consolidated undertakings	_____
3.2	Income from affiliated undertakings	_____
3.3	Income from holdings	_____
3.4	Income from real estate	_____
3.5	Interest receivable and exchange rate difference	_____
3.6	Income from investment valuation changes	_____
3.7	Profit from sales of investments	_____
3.8	Changes in reduction	_____
3.9	Other investment income	_____
3.10	Calculated income or expenses from price changes	_____
	<i>Investment income</i>	_____
<b>4. Capital expenditure</b>		
4.1	Office and management cost	_____
4.2	Interest expenses	_____
4.3	Cost of investment revaluation changes	_____
4.4	Loss from investment sale	_____
4.5	Other capital expenditures	_____
	<i>Capital expenditure</i>	_____
<b>5. Operating expenses</b>		
5.1	Office and management cost	_____
5.2	Other management cost	_____
	<i>Operating expenses</i>	_____
<b>6. Other income</b>		_____
<b>7. Other expenses</b>		_____
<b>8. Increase in net assets before extraordinary items and valuation changes</b>		_____
<b>9. Extraordinary income and expenses:</b>		
9.1	Extraordinary income	_____
9.2	Extraordinary expenses	_____
	<i>Extraordinary income - expenses:</i>	_____
<b>10. Valuation changes</b>		_____
<b>11. Increase in net assets during the year</b>		_____
<b>12. Net asset from last year</b>		_____
<b>13. Net assets at end of year for pension payments</b>		_____

# Jme

## BALANCE SHEET

### ASSETS

#### 1. Intangible assets

\_\_\_\_\_

#### 2. Investments

2.1 Real estate

\_\_\_\_\_

2.2 Consolidated and affiliated undertakings

\_\_\_\_\_

2.2.1 Shares in consolidated undertakings

\_\_\_\_\_

2.2.2 Loans to consolidated undertakings

\_\_\_\_\_

2.2.3 Shares in affiliated undertakings

\_\_\_\_\_

2.2.4 Loans to affiliated undertakings

\_\_\_\_\_

2.3 *Other investments*

\_\_\_\_\_

2.3.1 Variable yield securities

\_\_\_\_\_

2.3.2 Fixed rate securities

\_\_\_\_\_

2.3.3 Mortgages

\_\_\_\_\_

2.3.4 Other lending

\_\_\_\_\_

2.3.5 Bank deposits

\_\_\_\_\_

2.3.6 Other investments

\_\_\_\_\_

#### 3. Claims

3.1 Claims on consolidated and affiliated undertakings

\_\_\_\_\_

3.2 Claims on employers

\_\_\_\_\_

3.3 Other claims

\_\_\_\_\_

#### 4. Other assets

4.1 Operating resources and other tangible assets

\_\_\_\_\_

4.2 Fund and trading deposits

\_\_\_\_\_

4.3 Other assets

\_\_\_\_\_

#### 5. Prepaid cost and accrued income

\_\_\_\_\_

*Total assets*

\_\_\_\_\_

### AMOUNTS OWED

#### 6.

#### Commitments

\_\_\_\_\_

#### 7. Accounts payable

7.1 Amounts owed to consolidated and affiliated undertakings

\_\_\_\_\_

7.2 Amounts owed to credit institutions

\_\_\_\_\_

7.3 Mortgages

\_\_\_\_\_

7.4 Other liabilities

\_\_\_\_\_

#### 8. Accruals and deferred income

\_\_\_\_\_

*Total liabilities*

\_\_\_\_\_

### NET ASSETS FOR PAYING PENSIONS

\_\_\_\_\_

# Time

## STATEMENT OF CASH FLOW

<b>1. Deposits</b>	
1.1 Premiums	_____
1.2 Investment income	_____
1.3 Other income	_____
1.4 Instalment of securities	_____
1.5 Sold variable yield securities	_____
1.6 Sold fixed rate securities	_____
1.7 Reduction in bank deposits	_____
1.8 Other sold investments	_____
1.9 Other deposits	_____
	_____
<b>2. Payments</b>	
2.1 Pension	_____
2.2 Capital expenditure	_____
2.3 Operating expenses without depreciation	_____
2.4 Other expenses	_____
2.5 Other payments	_____
	_____
<b>3. Disposable fund for buying securities and other investments (1.-2.)</b>	_____
<b>4. Buying of securities and other investment</b>	
4.1 Buying of variable yield securities	_____
4.2 Buying of fixed rate securities	_____
4.3 New mortgage loans and lending	_____
4.4 Increase in bank deposits	_____
4.5 Other investments, cf. item 4.6	_____
4.6 Real estate	_____
4.7 Consolidated and affiliated undertakings	_____
	_____
<b>5. Increase in funds and trading deposits ( 3. – 4. )</b>	_____
<b>6. Fund and trading deposits at beginning of year</b>	_____
<b>7. Fund and trading deposits at end of year</b>	_____

## DEFINITIONS OF TERMS IN THE STATEMENT OF CASH FLOW CF. ARTICLE 4 OF THESE RULES

The following definitions serve as a guideline for compiling the cash flow statements in accordance with paragraph 4, article 4 of these rules, cf. also the statement of cash flow in Appendix I. References to individual cash flow items refer to those items that appear on a statement of cash flow cf. Appendix I.

### 1. *Fund and trading deposits.*

*Fund and trading deposits*, cf. items 6 and 7, is a collective term for bills and coins and trading deposits in banks and savings banks. Trading deposits in banks and savings banks refer to deposits on checking accounts and other deposits in credit institutions that are not subject to limitations on use, as well as time deposits with a three-month limit or less.

### 2. *Deposits.*

Items 1.1 – 1.3 refer to payments to *Fund and trading deposits* due to individual items on the statement of net assets for paying pensions.

Items 1.4 – 1.9 refer to payments to *Fund and trading deposits* due to individual items on the balance sheet. Item 1.7 only contains net decrease. Instalments in ISK, including indexation, and instalments in a foreign currency at the exchange rate at the day of payment shall be included with balance items, but other indexation and changes in exchange rates with income and expenditure items.

### 3. *Payments.*

Items 2.1 -2.4 refer to payments from *Fund and trading deposits* due to individual items on the statement of net assets for paying pensions.

Item 2.5 refer to payments from *Fund and trading deposits* due to individual items on the balance sheet, other than *investments* cf. item 2 on the balance sheet.

### 4. *Buying of securities and other investments.*

Items 4.1 – 4.6 refer to payments from *Fund and trading deposits* due to purchase of securities and other investments cf. item 2 on the balance sheet. Item 4.4 only shows net increase.



## DEFINITIONS OF KEY FIGURES, Cf. ARTICLE 49 OF THESE RULES

The following definitions serve as a guideline for compiling the key figures in accordance with paragraph 49. References to individual income and expenditure items refer to those items that appear on a statement of change in net assets for paying pensions cf. Appendix I.

### 1. *Net real return.*

Net real return from assets is calculated with the following formula:

$$r = \frac{(1+i)}{(1+j)} - 1$$

where r represents net real return, i represents return from assets, cf. a special formula below, and j represents index change during the year. The formula for return from assets (i) is as follows:

$$i = \frac{2(F - K)}{(A + B - (F - K))}$$

where F represents net investment income, i.e. investment income before being affected by changes in pricing, cf. summary of items 3.1 – 3.9, and less investment expenses, cf. item 4, K represents operating expenses cf. item 5, in addition to expenses cf. item 7, but less income cf. 6, A represents net assets for payment of pensions at beginning of year cf. item 12, and B represents net assets for payment of pensions at year end, cf. item 13 on the statement of changes in net assets for paying pensions.

### 2. *Average net real return for the last five years.*

Average net real return for the last five years ( $r_5$ ) see the following:

$$r_5 = \sqrt[5]{(1+r_1)(1+r_2)\Lambda(1+r_5)} - 1$$

### 3. *Proportional division of other investments.*

The total amount of other investments, cf. item 2.3 on the balance sheet, divided proportionally between quoted and unquoted variable yield securities, quoted and unquoted fixed rate securities, mortgages and other.

- # Time
4. *Proportional division of other investments by currency.*

The total value of other investments, cf. item 2.3 on the balance sheet, divided proportionally between assets in ISK on the one hand and total assets in foreign currencies on the other.
  5. *Number of members.*

The average number of paying members during the financial year.
  6. *Number of pensioners.*

The average number of members receiving pensions during the financial year.
  7. *Proportional division of payments.*

The total pension amount, cf. item 2 on the statement of change in net assets for paying pensions, divided proportionally between old age pensions, disability pensions, spouse pensions and children's pensions.
  8. *Net assets in surplus of total liabilities %.*

Changes in the valuation of net assets and the current value of future premiums, cf. article 39, in surplus of total liabilities proportional to the total liabilities.
  9. *Net assets in surplus of accrued liabilities %.*

Changes in the valuation of net assets and the current value of future premiums, cf. article 39, in surplus of accrued liabilities proportional to the accrued liabilities.