



Proposals from the VR Board for amendments to the VR Sick Pay Fund Regulation

VR Annual General Meeting 25 March 2026

Blue text: New / revised wording

Red text: Text deleted from the article

Green text: Explanations

This is a translation, please refer to the proposal in Icelandic for further clarification, if needed.

Introduction

The VR Board proposes amendments to the Regulation of the VR Sick Pay Fund in order to respond to the fund's deteriorating financial position and to better enable it to meet its obligations in the future. Increasing sickness rates in recent years have weakened the fund's position, and it has now reached a point where it is not sustainable.

The fund's performance has been negative for the past four years, and expected expenditure on per diem payments and death benefits amounts to approximately 97% of contribution income. In 2025, sickness per diem payments increased by 11.9% compared to 2024, while contribution income increased by 5.3%.

An actuarial assessment of the fund conducted in 2025 shows that it has limited capacity to respond to unforeseen expenses or to contribute to the VR Contingency Fund. Furthermore, the fund does not have sufficient scope to build up reserves for higher future expenses, while VR members are to a large extent young and future obligations are significant. The conclusion is therefore that it is necessary to take cost-control measures to achieve balance in the fund's operations.

In the Board's view, it is not justifiable to continue operating the fund unchanged, and the Board therefore proposes the amendments presented here in order to ensure continued service to fund members.

Proposed amendments

The main proposals from the VR Board regarding changes to the operation of the VR Sick Pay Fund, submitted to the 2026 Annual General Meeting, are as follows:

- Entitlement to per diem payments will be reduced to a maximum of six months instead of seven. The entitlement will be divided into two parts: after four months, it will be possible to apply for per diem payments for up to an additional two months.
- The VR Sick Pay Fund will pay 80% of wages, taking into account per diem payments from Iceland Health insurance.
- Sickness per diem payments for job seekers will be conditional on contributions being paid to the fund.
- Changes will be made to death benefits for older members.

Proposal #1

Article 9. Entitlement to grants from the VR Sick Pay Fund

Current wording:

9.3 A person who has acquired the right to payment from the Sick Pay Fund of one trade union within ASÍ acquires rights with the VR Sick Pay Fund, according to Article 2, after payments have been made for them to the Fund for one month, as they had rights with the previous union until then.

Will be:

9.3 A person who has acquired the right to payment from the Sick Pay Fund of one trade union within ASÍ or BSRB acquires rights with the VR Sick Pay Fund, according to Article 2, after payments have been made for them to the Fund for one month, as they had rights with the previous union until then.

Explanation of Proposal #1:

According to the rules of ASÍ, employees who move between trade unions within the federation are entitled to per diem payments and benefits after one month with the new union, provided they had entitlement with their previous union.

Following amendments to ASÍ's rules adopted at its 2024 congress, this entitlement now also applies to members transferring from unions affiliated with BSRB. This represents a significant improvement in rights for employees.

If this proposal is approved, the same wording will apply elsewhere in the regulation without being specifically stated in this document.

Proposal #2

Article 9. Entitlement to grants from the VR Sick Pay Fund

Current wording:

9.4

a) In general, rights to the VR Sick Pay Fund are not created through premium payments from unemployment benefits or maternity/paternity leave payments, except for those who were members of VR when they lost their job and applied for unemployment benefits or started taking maternity/paternity leave. However, such rights may be granted in the VR Sick Pay Fund to job seekers who have paid membership fees to VR for at least 36 months out of the last 60 months before registration in the unemployment register.

Will be:

9.4

a) In general, rights to the VR Sick Pay Fund are not created through premium payments from ~~unemployment benefits or~~ maternity/paternity leave payments, except for those who were members of VR when they ~~lost their job and applied for unemployment benefits or~~ started taking maternity/paternity leave. However, such rights may be granted in the VR Sick Pay Fund to ~~job-seekers~~ those who have paid ~~membership fees~~ premiums to the VR Sick Pay Fund for at least 36 months out of the last 60 months before taking maternity/paternity leave ~~registration in the unemployment register.~~

Explanation of Proposal #2:

No contributions are paid to the VR Sick Pay Fund from unemployment benefits, and therefore no entitlement to sickness per diem payments or benefits is accrued. Therefore, the Board proposes that the wording of the article be amended to reflect this.

Proposal #3

Article 9. Entitlement to grants from the VR Sick Pay Fund

Current wording:

9.4

b) Maternity/paternity leave is counted as working time and does not reduce the right to benefits as long as the membership fee is paid from maternity/paternity leave payments.

Will be:

9.4

b) Maternity/paternity leave is counted as working time and does not reduce the right to benefits as long as the membership fee to VR is paid from maternity/paternity leave payments.

Explanation of Proposal #3:

Here, the wording in the section on grants from the VR Sick Pay Fund is being clarified so that it is clear that membership fees must be paid to VR from parental leave payments in order for entitlement to benefit payments to be established.

Proposal #4

Article 9. Entitlement to grants from the VR Sick Pay Fund

It is proposed that the provision be removed from the regulation.

9.6

~~The right to death benefits and grants may be granted for those who retire after the age of 67.~~

Explanation of Proposal #4:

Please note that the discussion of the rights of VR members who retire after the age of 67 is moved from Article 9 to Article 11 Death Benefits, see proposal #7.

Amendments are proposed to the entitlement to death benefits due to the death of older VR members. In the current regulation, death benefits for older VR members vary depending on how much time has passed since the individual became an older member at the time of their death. Full death benefits are paid when one year or less has passed since the individual became an older member, but just under half of full death benefits are paid when 60 months or more have passed. The entitlement is thus variable but lifelong.

The Board of VR considers it important to emphasize the right to death benefits for wage earners who are active in the labour market at the time of their death. The Board's proposals therefore provide for changes to death benefits for older VR members so that it will be permitted to pay full death benefits and grants for up to two years for VR members who retire due to age but entitlement to death benefits lapses after two years.

Proposal #5

Article 10. Sickness and accident per diem payments

Current wording:

The Sick Pay Fund must pay sickness and accident per diem if swage income is reduced due to illness or accident, and it must be 80% of the average wage. When calculating the amount of per diem, payments to the Members' and Sick Pay Fund of VR should be taken into account in the last 6 months before wage payments ceased. If there have been significant changes in wages in the last 6 months, income may be assessed separately and over a longer period, but never longer than 12 months. In cases where a member receives payments for the same accident and/or illness period from other parties, such as payments from workers' compensation insurance, it is permitted to pay the difference between the compensation amount and 80% of the average wage if that amount is lower than the calculated amount of daily allowance from the VR Sick Pay Fund. Accident per diem according to this Article is not paid due to compensable

accidents and occupational diseases, including accidents caused by motor vehicles.

Article 10. ~~Sickness and accident~~ Per diem payments

Will be:

The Sick Pay Fund ~~must pay~~ ~~sickness and accident~~ per diem if wage income is reduced due to illness or accident, ~~and it must be 80% of the average wage~~. ~~Per diem payments, in addition to benefits from social security, payments from Iceland Health, payments from wage earners' accident insurance or other statutory insurance, shall not amount to more than 80% of the average total wages on which contributions have been paid over the past 6 months.~~ When calculating the amount of per diem, payments to the ~~Members' and~~ Sick Pay Fund of VR should be taken into account in the last 6 months before wage payments ceased. If there have been significant changes in wages in the last 6 months, income may be assessed separately and over a longer period, but never longer than 12 months. In cases where a member receives payments for the same accident and/or illness period from other parties, such as payments from workers' compensation insurance, it is permitted to pay the difference between the compensation amount and 80% of the average wage if that amount is lower than the calculated amount of daily allowance from the VR Sick Pay Fund. Accident per diem according to this Article is not paid due to compensable accidents and occupational diseases, including accidents caused by motor vehicles.

Explanation of proposal #5:

Firstly, this proposal suggests that the title of the article be changed in light of the fact that the union no longer pays accident compensation. The title of the article should reflect this and be "Per Diem Payments." This does not constitute a substantive change.

Secondly, it is proposed that changes be made to the calculation of per diem payments. These payments shall not be lower than 80% of the average total wages of the relevant VR member, based on contributions paid over the past six months. According to the Board's proposal, the calculation shall take into account benefits from payments from Iceland Health, social security, payments from wage earners' accident insurance or other statutory insurance. Such payments shall be deducted from per diem payments from the VR Sick Pay Fund, whereas previously they were not deducted from those payments.

Proposal #6

Article 10. Sickness and accident per diem payments

Current wording:

In general, it shall be a condition of the payment of sickness and accident per diem that the applicant first attends an interview with the Fund's adviser and that their documents are viewed by the Fund's physician in order to assess possible rehabilitation measures. Sickness and accident per diem for those who refuse to participate in the offered resources of the Fund's advisers shall be 72% of the average wage. However, such reduction shall not occur until at least 120 days have been paid in the relevant payment period. In the event of such a reduction, the relevant member may demand that the matter be referred to the Fund's Executive Board for a final decision.

The number of days in the payment period is determined by the Fund's Executive Board and confirmed by VR's Board, and it must be specified in the Fund's Rules of Procedure in each case. The payment period can never be shorter than the minimum specified in the applicable guidelines for ASÍ member sick pay funds.

Will be:

Article 10. ~~Sickness and accident~~ **pPer** diem payments

... In general, it shall be a condition of the payment of sickness per diem payments that the applicant undergoes an assessment of whether vocational rehabilitation is feasible. If vocational rehabilitation is assessed as feasible but the applicant refuses it, it is permitted to discontinue per diem payments.

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The number of days in the payment period is determined by the Fund's Executive Board and confirmed by VR's Board, and it must be specified in the Fund's Rules of Procedure in each case. ~~The payment period can never be shorter than the minimum specified in the applicable guidelines for ASÍ member sick pay funds.~~

Explanation of proposal #6:

This proposal deals with the conditions for the payment of per diem payments. It is proposed that the applicant undergo an assessment of whether vocational rehabilitation is a feasible option for them, whereas previously a consultation with an advisor and a review of documents by a medical consultant regarding possible rehabilitation were assumed. If, however, the applicant refuses vocational rehabilitation that is assessed as feasible, the Fund will be permitted to discontinue per diem payments.

The aim of this change is to intervene earlier in the applicant's case by assessing whether vocational rehabilitation is timely and feasible. This is done to facilitate the applicant's access to appropriate support, to increase the likelihood of their return to the labour market, and to expedite their return to work after illness.

Proposal #7

Article 11. Death benefits

Current wording:

VR pays death benefits in the event of the death of a full VR member. Benefit amounts depend on the size of the family and whether the person in question was still in the labour market and are allocated according to the current Rules of Procedure of the VR Sickness Fund.

In addition, it is permitted to pay death benefits for members' children under 18 years of age, as stipulated in the Fund's Rules of Procedure in each case.

Will be:

VR pays death benefits in the event of the death of a full VR member. Benefit amounts depend on the size of the family and whether the person in question was still in the labour market and are allocated according to the current Rules of Procedure of the VR Sickness Fund.

In addition, it is permitted to pay death benefits for members' children under 18 years of age, as stipulated in the Fund's Rules of Procedure in each case.

It is permitted to grant entitlement to the payment of death benefits and grants for up to 2 years for those who retire due to age.

Explanation of proposal #7:

The explanation of proposal #7 is identical to the explanation of proposal #4, which reads as follows:

Amendments are proposed to the entitlement to death benefits due to the death of older VR members. In the current regulation, death benefits for older VR members vary depending on how much time has passed since the individual became an older member at the time of their death. Full death benefits are paid when one year or less has passed since the individual

became an older member, but just under half of full death benefits are paid when 60 months or more have passed. The entitlement is thus variable but lifelong.

The VR Board considers it important to emphasize the right to death benefits for wage earners who are active in the labour market at the time of their death. The Board's proposals therefore provide for changes to death benefits for older VR members so that it will be permitted to pay full death benefits and grants for up to two years for VR members who retire due to age, but entitlement to death benefits lapses after two years.

Proposal #8

~~Article 12 Accident Compensation {Removed at the VR Annual General Meeting 2022} See previous regulation here~~

Explanation of proposal #8:

It is proposed that the reference to Article 12 be removed, as the article itself was removed at the Annual General Meeting in 2022. If the article is removed, the numbering of subsequent articles will be updated.

Proposal #9

Article 17. Benefits obtained fraudulently

Current wording:

A person who tries to obtain benefits by giving false or misleading information, conceals or fails to report changes in their condition or health that affects rights in whole or in part according to this Regulation shall lose the right to benefits from the Fund. Beneficiaries may be reclaimed for already paid benefits/per diem payments obtained fraudulently plus late interest. Upon the first offense, overpaid benefits shall be reclaimed, and the person shall not be entitled to payment of benefits from the VR Sick Pay Fund until two months have passed, which would otherwise have been paid during the same benefit period, or the next time benefits are applied for. Upon the second offense it shall be three months, and for the third offense six months. The right to benefits according to the above is dependent on the reimbursement of erroneously paid benefits.

Will be:

Article 167. Benefits obtained fraudulently

A person who tries to obtain benefits by giving false or misleading information, conceals or fails to report changes in their condition or health that affects rights in whole or in part according to this Regulation shall lose the right to benefits from the Fund. Beneficiaries may be reclaimed for already paid benefits/per diem payments obtained fraudulently plus late interest and collection costs. ~~Upon the first offense, overpaid benefits shall be reclaimed, and the person shall not be entitled to payment of benefits from the VR Sick Pay Fund until two months have passed, which would otherwise have been paid during the same benefit period, or the next time benefits are applied for. Upon the second offense it shall be three months, and for the third offense six months.~~ The right to ~~benefits according to the above~~ per diem payments and benefits is dependent on the reimbursement of erroneously paid benefits.

16.2 Applicants for sickness per diem payments must grant consent for information to be obtained from the Directorate of Internal Revenue's withholding tax register while the application for sickness per diem payments is active.

Explanation of proposal #9:

This proposal simplifies the Fund's rules in cases where attempts are made to obtain per diem payments by fraudulent means. Firstly, it provides that the Fund will be permitted to reclaim collection costs from the beneficiary in addition to default interest. It also repeals a provision that provided for varying waiting periods before entitlement to per diem payments or other benefits could be reactivated. It is further clarified that entitlement to per diem payments and other benefits is conditional upon the repayment of benefits that were incorrectly paid. Additionally, applicants must grant consent for the Fund to obtain information from the Directorate of Internal Revenue's withholding tax register in order to verify the individual's status.

Proposal #10

Transitional provision

Notwithstanding the provisions of this regulation authorizing the rejection of applications/payments for sickness per diem payments, those provisions shall not take effect until amendments have been made to the laws of the Confederation of Icelandic Labour that authorize a corresponding measure.

Amendments to Article 9 and Article 10 shall take effect on 1 May 2026.

Explanation of proposal #10:

Proposal #6 provides that the VR Sick Pay Fund will be permitted to discontinue per diem payments if an applicant refuses vocational rehabilitation that is assessed as feasible. An amendment to the laws of the Confederation of Icelandic Labour is required for this provision to take effect, but the federation's laws are amended at its congresses. The next ASÍ congress will be held in October 2026.

On amendments to the rules of procedure to the VR Sick Pay Fund

The VR Board proposes amendments to the operating rules of the VR Sick Pay Fund in accordance with the changes to the fund's regulation that have been presented here. The fund's operating rules are not submitted to the annual general meeting for approval, but the Board considers it appropriate to present their main aspects alongside the proposed amendments to the regulation.

The main proposed amendments to the rules are as follows:

Payment period

Each continuous payment period for per diem payments will be 120 days in each twelve-month period instead of 210 previously. In the case of long-term illness, it is permitted to extend the per diem payment period up to a total of 180 days if urgently necessary due to special circumstances and if the fund's financial position allows.

Amount of per diem payments

Per diem payments, together with benefits from social security, payments from Iceland Health, payments from employee accident insurance or other statutory insurance, shall not exceed a lower amount than 80% of the average total wages on which contributions have been paid over the last 6 months.

Assessment of vocational rehabilitation

The VR Sick Pay Fund assesses whether an application should be sent to a vocational rehabilitation provider who evaluates whether vocational rehabilitation is feasible. If an applicant refuses vocational rehabilitation, it is permitted to reject or withdraw an application for sickness per diem payments.

Death benefits for older members

It is permitted to pay death benefits in respect of those who ceased employment at the age of 60 or later, provided they were full members continuously for 5 years before ceasing employment. The entitlement to death benefits for older members, as defined in Article 3 of the VR statutes, is ISK 712,000. Death benefits are paid in the event of the death of VR members up to 24 months after the individual became an older member.

Birth grant

A fund member who is a full member in VR and has paid contributions to the fund for 12 of the last 18 months before the birth of a child is entitled to a grant of ISK 100,000 for each child. The grant also applies to the adoption of children under 18 years of age. The parent/fund member must be on at least 75% parental leave to be entitled to the grant.