THE PENSION SCHEME FOR THE PHARMACY SECTOR

ANNUAL REPORT 2014

PENSJONSORDNINGEN
FOR APOTEKVIRKSOMHET

Contents

Introduction

Good returns – and good management

In 2014, the Pension Scheme for the Pharmacy Sector achieved competitive value-adjusted returns on investments of 6.6 per cent. Together with measures previously implemented by the Board, the high returns have helped to improve the scheme's equity situation throughout 2014.

In recent years the pension scheme has experienced a challenging capital situation. Yields on risk-free investments in the financial markets have been low and the scheme's buffer capital has been weakened due to high salary increases, more actively-employed persons with high salaries and more – and more expensive – payments of disability pensions. It was therefore crucial for the Board to take steps to improve a challenging financial situation.

Measures in the form of a premium increase as well as a modest adjustment of pensions have previously been implemented in order to strengthen buffer capital. These actions to improve the equity situation made it possible for the Board to adopt an investment strategy with a moderate risk level in the investment portfolio, in order to increase return expectations. The strategy was a success. Premiums remained unchanged during 2014 while pension benefits were adjusted on the basis of a wage inflation factor of 3.50 per cent.

The Pension Scheme's interest-bearing investments made a major contribution to profits in 2014 as result of credit exposure in the investments and falling interest rates. Shares and investments in real estate also made a good contribution to overall profits. We were therefore able to enter 2015 with an improved equity situation for the scheme. The pension scheme's assets under management increased by NOK 741 million throughout 2014, and the scheme now has NOK 7,292 million under management.

Major changes in the pensions market

New pension legislation was introduced in Norway in 2011. "The pension reform" affects the entire pensions system. Changes in the National Insurance require adaptations within the occupational pension schemes in both the private and public sectors. Much has already been done, but all the details have yet to be clarified. You can read more about the changes and how they influence the Pension Scheme for the Pharmacy Sector in the annual report.

Future expectations

Continued strong growth in salaries combined with low interest rates create challenges, and adequate returns can only be achieved by taking on a certain level of risk. Maintaining an investment strategy that combines a well-diversified portfolio with a risk level that is fit for the scheme will be important in 2015 and beyond as well.

Increased pension liabilities

Increasing life expectancies and salary levels result in increased pension liabilities, both for the Pension Scheme for the Pharmacy Sector and other pension providers. In recent years, the scheme's liabilities have also been increasing due to a higher incidence of, and more expensive, disability cases.

The new disability pension effective from 1.1.2015 will reduce pension liabilities in 2015; this is a non-recurring effect. In 2014 the Pension Scheme for the Pharmacy Sector strengthened the mortality tariff in order to meet the increased pension obligations related to living longer.

As well as increased pension liabilities the introduction of new solvency capital requirements (Solvency II/IORP II) for the insurance industry and pension funds will create challenges for the the pension scheme's capital situation in the future.

About the pension scheme

The Pension Scheme for the Pharmacy Sector manages the pension entitlements of employees throughout the pharmacy sector.

The Pension Scheme for the Pharmacy Sector was established in 1953 and is a statutory collective pension scheme.

This means that dispensing pharmacists and permanent employees in pharmacies who work an average of at least 15 hours a week are both entitled to and obliged to become members of the pension scheme. In addition to the employees at 800 pharmacies the scheme has members from other businesses which are closely associated with the pharmacy sector and who have applied for membership.

Administration

The Act on the Pension Scheme for the Pharmacy Sector stipulates that the scheme shall be managed by the Norwegian Public Service Pension Fund in accordance with regulations issued by the Ministry of Labour and Social Affairs. The Board of Directors of the Pension Scheme for the Pharmacy Sector is the scheme's decision-making body. The Board is headed by the CEO of the Norwegian Public Service Pension Fund and has four additional members, each with a personal deputy.

The Board is appointed by the Ministry of Labour and Social Affairs with a four-year mandate following nominations from the employers' associations and the employee unions. Two of the nominated members shall represent employers, while pharmacists and technical staff are each represented by one Board member.

Board of Directors 2014

- Finn Melbø (chairman), CEO of the Norwegian Public Service Pension Fund
- Stein Gjerding, Chief Economist in Spekter
- Ann Torunn Tallaksen, Chief negotiator, Virke
- Renate Messel Hegre, Negotiator, Norwegian Association of Pharmacy Technicians
- Edvin Alten Aarnes, Secretary General of the Norwegian Association of Pharmacists

Key figures 2014

Pensions

The Pension Scheme for the Pharmacy Sector comprises retirement pensions, contractual pensions (AFP), disability pensions and dependents' pensions.

Customers and members		2014	2013	2012
Pharmacies in the pension scheme	Number	800	768	738
Members	Number	18,789	18,133	17,655
Actively-employed members*	Number	7,422	7,274	7,125
Pensioners*	Number	4,600	4,295	4,144
Persons with entitlements from previous positions**	Number	6,767	6,564	6,386

Occupational pensions		2014	2013	2012
Accrued pension entitlements	Thousand NOK	6,478,203	5,947,896	5,412,346
Pension premium	Thousand NOK	593,186	570,010	482,303
Pensions paid	Thousand NOK	264,356	244,425	231,916

Investment management		2014	2013	2012
Funds in the Pharmacy scheme	Million NOK	7,292	6,550	5,809
Annual return	Per cent	6.6	7.6	6.8

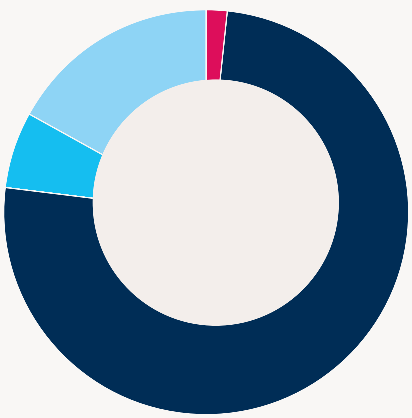
* The number stated is the number of policies. A member can have more than one policy. For example, a member who receives a partial disability pension from the pension scheme and works partly in an active position will have two policies which correspond to the two positions respectively.

** Members who no longer work in an organisation linked to the Pension Scheme for the Pharmacy Sector, but who have pension entitlements with us (also called deferred pensions).

Accrued pension entitlements

The Pension Scheme for the Pharmacy Sector comprises retirement pensions, contractual pensions (AFP), disability pensions and dependents' pensions.

Accrued pension entitlements in the scheme increased by NOK 530 million from 2013 to 2014.
Retirement pensions comprise 75 per cent of the total accrued entitlements of NOK 6,478 million.

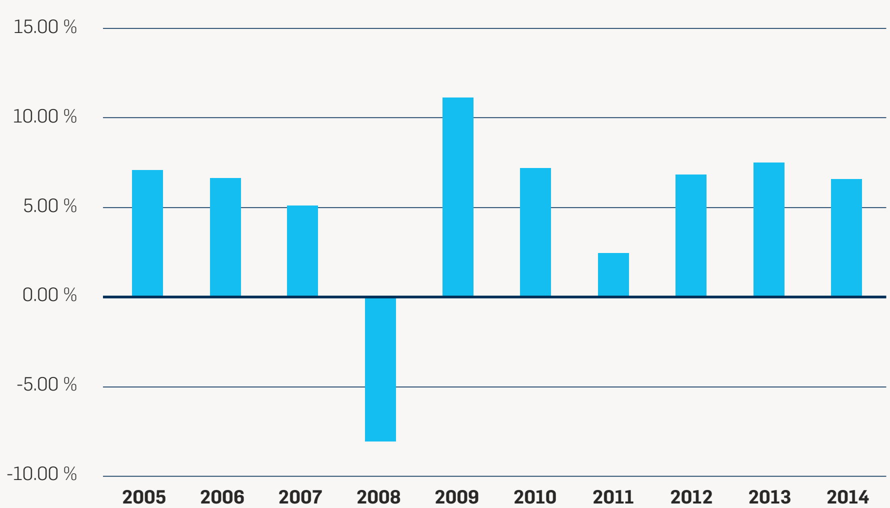


AFP (current AFP)	121,000
Retirement pension	4,869,757
Children's pensions	10,915
Spouse pensions	388,537
Disability pension	1,087,995
Total	**6,478,203**

Investment management

The funds in the Pension Scheme for the Pharmacy Sector are placed in short-term and long-term bonds, Norwegian shares, real estate, foreign equity funds, hedge funds and loans to members.

Annual return POA



As at 31.12.2014 the funds totalled NOK 7.3 billion. In 2014, the value-adjusted return on the funds was 6.6 per cent.

The pension system

The Norwegian pension system is made up of three parts. It consists of National Insurance, various occupational pension schemes and different forms of savings specifically for retirement.

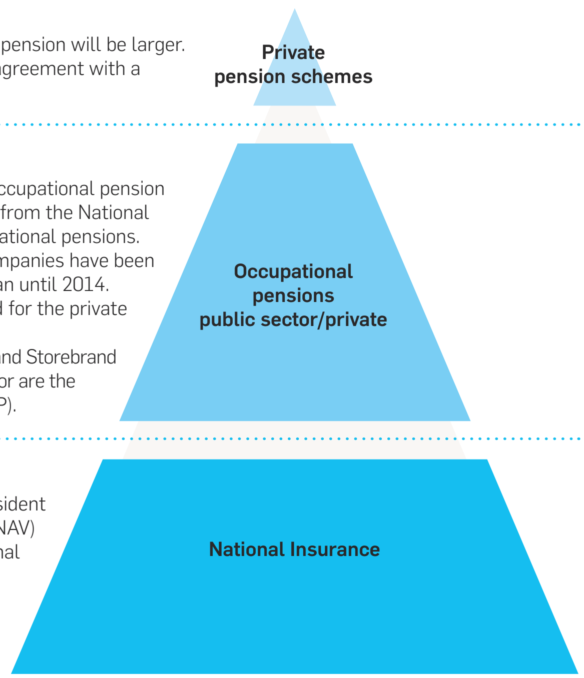
Private pension schemes
If you wish you can enter into voluntary savings or pension agreements so that your pension will be larger. For example you can save in a unit trust scheme or enter into an individual pension agreement with a bank or insurance company.

Occupational pensions
In 2006 the Mandatory Occupational Pension (OTP) was introduced in Norway. An occupational pension is accrued while you are in employment and is a supplement to the old-age pension from the National Insurance scheme. Differentiation is made between private and Public sector occupational pensions.

Public sector employers offer a defined benefit pension scheme, while private companies have been able to choose between either a defined benefit or a defined contribution pension plan until 2014. With effect from 2014 a new occupational pension product has also been introduced for the private sector which is a type of defined contribution pension.

Insurance companies are the main actors in the private sector market, with DNB Liv and Storebrand as the two largest. The two largest suppliers of occupational pensions in the public sector are the Norwegian Public Service Pension Fund (SPK) and Kommunal Landspensjonskasse (KLP).

National Insurance
National Insurance is a mandatory insurance and pension scheme for all persons resident in Norway. The scheme is managed by the Norwegian Labour and Welfare Service (NAV) and is financed on an ongoing basis by grants from the Norwegian Exchequer. National Insurance was introduced in Norway in 1967.



The difference between public and private sector occupational pensions

While the content of private sector occupational pension schemes can differ widely, public sector occupational pension schemes are a more homogeneous product. All public sector schemes are defined benefit gross payment schemes whereby the employer undertakes to pay pension benefits, which together with the National Insurance scheme shall make up 66% of final salary prior to age adjustment. The Pension Scheme for the Pharmacy Sector is regulated by the Act on the Pension Scheme for the Pharmacy Sector, and is essentially the same as the public sector occupational pension schemes.

The Pension Scheme for the Pharmacy Sector in the pensions market

The Pension Scheme for the Pharmacy Sector is a statutory collective pension scheme.

- The scheme is subject to regulations that are closely linked to those covering public sector occupational pensions, and the scheme is managed by the Norwegian Public Service Pension Fund.
- The pension scheme has 7,422 active members and 4,600 pensioners. At the end of 2014, 800 pharmacies were covered by the scheme. The scheme also covers organisations that are not pharmacies, but which are closely linked to the pharmacy sector. The members of the Pension Scheme for the Pharmacy Sector come from both the private and the public sector.
- The Pension Scheme for the Pharmacy Sector is a defined benefit pension scheme. This means that the maximum retirement pension from the National Insurance and the Pension Scheme for the Pharmacy Sector constitutes 66 per cent of final salary for a member with full accrual (360 months) prior to age adjustment.
- The contribution base is maximised to 10 times the National Insurance base amount (G).
- The pension is coordinated with National Insurance (gross pension).
- In addition to a retirement pension, members are entitled to a contractual pension (AFP), disability pension and dependents' pension.
- The employer and the employees each pay a percentage of the contribution base (salary) in premiums.

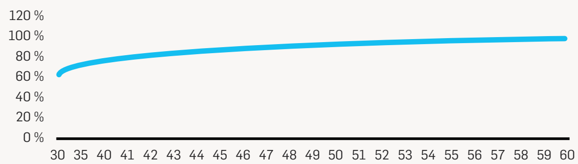
Introduction of new disability pension reform

On 1 January 2015 a new disability pension from the National Insurance system and public sector occupational pension was introduced . The disability pension reform is part of the major pension reform which began in 2011. The aim of the reform is to make it easier for the disabled to make use of their residual working capacity.

Large numbers

At the end of 2014 there were just under 1400 persons who received a disability pension from the Pension Scheme for the Pharmacy Sector. This equates to an annual pay-out of NOK 59 million from the Pension Scheme. If we look at the entire country, figures from the Norwegian Labour and Welfare Service (NAV) show that as at September 2014 there were 310,000 persons registered as disabled in Norway, and that this represents 9.4 per cent of the population. The state budget for 2015 includes provisions of NOK 78 and 33 billion for payments disability pensions and work assessment allowance from the National Insurance Scheme.

Trend curve for remaining on disability pension 2014 POA



The figure shows statistics for 2014, but the results for 2011, 2012 and 2013 show the same conclusion; If you become disabled as a 50-year old or older, there is about a 95 per cent probability that you will be permanently disabled. This applies to both men and women. Those who do not become permanently disabled either return to work or move over to a retirement pension

Easier to try working

Under the old rules, the disabled who tried working had to go through a difficult process to receive a new disability certificate, if they found themselves unable to work.

The new rules make this easier – you can work as much as you want without the degree of disability being changed. But there will be a reduction in the amount paid out proportional to the level of work. To put it simply; the degree of disability will remain the same, but the disability pension will be reduced.

This means that if disability pensioners are no longer capable of working, their disability pension will be paid once more in accordance with the degree of disability first stipulated.

It will be important to follow developments closely

Since the aim of the reform is to make it easier for the disabled to make use of their residual working capacity it is important that the new rules are flexible. If the new rules result in a change in behaviour, i.e. that more disabled persons try working, it is likely that fewer will remain on disability pensions. This will have a major effect on the person in question, for the labour market and for the society as a whole. The question is whether we get a real change in behaviour.

The main changes to the disability pension for the public sector occupational pension scheme

Disability pension for the public sector occupational pension scheme until 31.12.2014.	Disability pension for the public sector occupational pension scheme from 01.01.2015.
66 per cent of your pension basis up to 10 G	• 3 per cent of income up to 6 G (because National Insurance pays the first 66 per cent) • 69 per cent of income between 6 and 10 G • 25 per cent of G (limited to 6 per cent of your pension basis). • The pension basis is calculated on final salary.
Coordinated with National Insurance so that the disability pensioner is guaranteed 66 per cent of final salary, if he or she has full accrual in the occupational pension scheme.	Net mark-up (supplement) on top of the disability pension from National Insurance. Not to be coordinated.
No minimum degree of disability to receive benefits.	The minimum degree of disability to be entitled to a disability pension is 20 per cent disability.
Qualification for the occupational pension schemes until reaching retirement age.	Qualification for the occupational pension schemes until reaching retirement age; 67 years old at the latest.
Transition to retirement pension on reaching retirement age.	Transition to retirement pension on reaching retirement age; 67 years old at the latest.
Child supplement of 10 per cent of gross pension for providing for children up to 18 years old. Maximum pension is 90 per cent of the pension basis	Child supplement of 4 per cent of the pension basis per child up to 6 G for up to 3 children.
Possibility of disability pensions as a result of age-related incapacity after reaching the age of 64.	Disability pension under the 64-year rule no longer applies.
Tax-free allowance of 1 G for casual employment.	The tax-free allowance is 0.4 G (as for National Insurance) in the case of a permanent disability pension from National Insurance. If receiving work clarification benefit no tax-free allowance is granted. A tax-free allowance is not granted if no benefits are received from National Insurance.
	If income represents more than 80 per cent of total income before disability, disability benefit is no longer paid.
	The pension can be stopped if the disability pensioner acts in a manner that can make their condition worse or extend incapacity for work.

These rules are retained:

- The right to a deferred disability pension is retained. This means that a person who has worked for at least three years in the public sector, but then has either stopped work or moved to the private sector, will be entitled to benefits in accordance with qualification in the public sector.
- Disability pension is reduced according to the degree of disability and length of service.

Evaluation of future prospects

Sustainable public sector occupational pensions and the right use of society's values will be two central topics in coming years.

Since the new National Insurance pension was introduced in 2011 we knew that a debate about the public sector occupational pension scheme would be needed. Now, as the pension reform is ending and the rules for people born after 1953 are in progress, this debate has raised its head.

Today's National Insurance and public sector occupational pension schemes are built on two different principles. When we try to coordinate two such different systems, this creates major challenges for the development of the public occupational pension system. On order to achieve a future-oriented and consistent system, some clear system requirements must be made - regardless of which solution is chosen in the end.

Two central system requirements:

Two central requirements must be included in order to achieve a future-oriented and consistent system.

- The system must be consistent with regard to goals. Given that the public sector occupational pension is deferred salary, and thus represents a supplement to National Insurance, there should be a clear relationship between the salary the employees receive today and the deferred part of their salary one receives as a pensioner.
  If today's coordination is continued, we see that some pensioners in the Pension Scheme for the Pharmacy Sector may receive too little from the occupational pension scheme in the future.
- The system must be transparent, comprehensible and predictable, so that it is possible for employees to calculate and know fairly accurately how much they will receive as pensioners.

Difficult to understand – complicated to calculate

A transparent, comprehensible and predictable set of rules will not just benefit pensioners. It will also be easier for employers to understand the product they offer their staff and what affects the pension costs for the pharmacies.

For the Norwegian Public Service Pension Fund (SPK), which is the largest supplier of occupational pensions in the public sector in Norway, and which manages the Pension Scheme for the Pharmacy Sector, an integrated system and less complex set of rules will be easier to manage. This will have a significant effect on cost levels for SPK - and for the quality of the services SPK supplies. This will benefit the Pension Scheme for the Pharmacy Sector. For example, digital services and self-service solutions. With a public sector occupational pension scheme adapted to National Insurance, the coordination between Norwegian Labour and Welfare Service (NAV) and the various occupational service schemes will be easier, and it will be much more straightforward to build and operate good joint solutions.

Our biggest challenge in the future will be to balance reform work and other tasks we are given, with day-to-day operations and improvement measures. This will also be the case when we are to put into place the retirement pension for those born after 1953 - and maybe a completely new public sector occupational pension scheme.

We look forward to the rules being clarified.

The value of membership:

This is what the pension scheme offers

A good pension scheme is about more than just a retirement pension. Membership of the Pension Scheme for the Pharmacy Sector also includes a contractual pension (AFP), disability pension and dependents' pension. Members can also apply for housing loans. This means security in all phases of life.

Retirement pension

A retirement pension from the Pension Scheme for Pharmacy Sector is in addition to a retirement pension from the National Insurance scheme and is a life-long payment. Most members can draw on their retirement pension when they reach the age of 67. The pension scheme's upper age limit for retirement is 70. The size of the pension depends on the contribution base, qualifying period and percentage of employment. The contribution base is generally equivalent to the employee's regular salary at the time he or she retires, subject to a limit of 10G (G = the Norwegian National Insurance Scheme's basic amount). 1 G was NOK 88,370 as at 01.05.2014. The qualifying period is the length of time the employee has been a member of the pension scheme. The full qualifying period is 30 years (360 months).

The pension scheme operates a so-called gross guarantee, which means that the pension benefits will normally make up at least 66% of the contribution base after the completed qualifying period. However for part-time employees, or those with a shorter qualifying period than 360 months, the pension benefits will be reduced correspondingly. Retirement pensions are adjusted for age from 67 years – i.e. pension payments are related to life expectancy.

The age adjustment means that the pension can be less than 66 per cent of final salary, even with full accrual.

Those who were born in 1958 or earlier receive an individual guarantee which ensures that they will receive 66 per cent of the contribution base after the completed qualifying period when they reach 67 years of age.

Contractual pension

On reaching the age of 62, members of the pension scheme may be entitled to retire on a contractual pension (AFP). Members who are not employees, e.g. pharmacists who own their own pharmacies, are not entitled to a contractual pension. When a member is between 62 and 65 years of age Norwegian Labour and Welfare Service (NAV) manages the scheme and the pension is always calculated according to National Insurance rules. As a rule, the amount of the pension from 62 years of age will be equivalent to the retirement pension without age adjustment the member would have received from the National Insurance scheme if he or she had continued to work until reaching 67 years of age, plus an AFP supplement of NOK 1,700 per month.

From age 65 the level of pension benefits is calculated either according to National Insurance Scheme rules or according to the method used by the Pension Scheme for the Pharmacy Sector for calculating retirement pensions. The Pension Scheme for the Pharmacy Sector compares these two calculations and pays the highest benefit. When the member reaches 67 years of age the AFP is changed to a retirement pension.

AFP from the pension scheme cannot be combined with drawing a retirement pension from the National Insurance scheme.

Disability pension

A disability pension can be paid to members who become unable to work due to illness or injury, and as a result have to reduce their working hours or leave their job. Pension benefits may be paid on a temporary or permanent basis and may be paid in respect of all or elements of the position of employment.

The disability pension reform is a stage in the pension reform. The rules for the new disability pension from National Insurance were adopted back in December 2011, and come into effect from January 2015. The change in the disability pension law for the public sector came about as a result of the changes in National Insurance and the new rules for taxation of disability pensioners.

With new rules, the disability pension from the public sector occupational pension scheme will be a direct supplement to the disability pension or work clarification benefit from National Insurance (NAV); on a so-called net basis. The disability pension from the Pension Scheme for the Pharmacy Sector shall thus no longer be coordinated with National Insurance benefits, as is the case in today's gross basis scheme.

The disability pension will now be taxed as salary, and the disability pension will change to a retirement pension with effect from retirement age; 67 years old at the latest.

Continues on next page

The proportion of the disability pension is determined by earning capacity. The degree of disability is determined by comparing earning capacity before disability with earning capacity after disability. The minimum degree of disability is 20 per cent.

If the degree of disability pension is 50 per cent or more from the Pension Scheme for the Pharmacy Sector, it is a requirement that the person in question also applies for work clarification benefit (AAP) or disability pension from the National Insurance Scheme.

If you have a reduced earning capacity, but not to the extent that you receive work clarification benefit or disability pension from NAV, your pension will be the total of:

- 25 per cent of the National Insurance Scheme base amount (G)
- 69 per cent of your pension basis up to 10 G

Disability pension when you receive work clarification benefit or disability pension from NAV.

If you have lost your earning capacity completely your full pension will be the total of

- 25 per cent of the National Insurance Scheme base amount (G)
- 3 per cent of your pension basis up to 6 G
- 69 per cent of your pension basis between 6 and 10 G

For disability pensions, credit is given for the pension entitlement the member could have accrued if he or she had remained in the qualifying position until retirement. Disability pensions are calculated on the basis of the percentage of employment at the time of disability. Disability pensions are not adjusted for age.

Dependents' pensions

If a member dies, his or her dependents may be entitled to a dependents' pension. The pension shall cover some of the loss of income suffered by the family. There are two types of dependents' pension: spouse pension and children's pension.

With effect from 2001 new rules were introduced for calculating dependents' pensions. The new rules provided for dependents' pensions to be paid on a net basis instead of a gross basis

Under the new rules dependents' pensions are calculated as a fixed percentage of the deceased member's contribution base. Dependents' pensions shall be neither means-tested nor coordinated with the National Insurance Scheme.

The new rules for net pension benefits do not, however, apply to everyone. Accordingly we will continue to have transitional arrangements in place for a considerable period. These will mean that the old rules, or payment of benefits on a gross basis, will continue to be applied in many cases.

On 01.02.2010 a change in the law came into effect that gave equal status to widows and widowers when calculating dependents' pensions. This entails that a group of widowers in the pension scheme gained the right to a repayment of dependents' pensions. This applied to widowers for whom a dependents' pension started on 01.01.1994 or later, and where the member had their qualifying period after 31.12.1993.

Read more about the pension scheme:
www.spk.no/apotek

Pension glossary: see page 46

When you leave your job: Deferred pension

Members who leave a qualifying position without retiring are entitled to a future pension from the pension scheme. This is called a deferred pension. Deferred pension benefits are paid when the member reaches the qualifying position's retirement age or upon receipt of a retirement or disability pension from the National Insurance Scheme. A deferred pension cannot be paid until the member reaches the age of 67. To be entitled to a deferred pension the total qualifying period must be at least three years.

Pension transfer agreement

A transfer agreement is an agreement between the majority of public sector pension schemes in Norway. The agreement means that if you have previously accrued pension entitlements in another pension scheme, the accrued entitlement is transferred to the scheme that you belong to on retirement. Pension calculation will be made according to the rules of the final scheme. From 01.02.2003 the pension transfer agreement ceased to apply in respect of new members of the Pension Scheme for the Pharmacy Sector and members who had left the scheme before that date with a qualifying period shorter than six months. Those who became a member before this date are included in the pension transfer agreement. For those who became a member after 01.02.2003, entitlements earned in the different schemes will be determined in each individual scheme. In other words, the entitlements will not be transferred to the scheme applicable on retirement.

Co-ordination with the National Insurance Scheme

In order to receive a pension from the Pension Scheme for the Pharmacy Sector, it is a condition that the member draws the benefits he or she is entitled to from the National Insurance scheme. All types of pensions, with the exception of spouse pensions regulated by the net rules, are coordinated with benefits from other public sector pension and social security schemes, primarily the National Insurance Scheme. Changes in rates of National Insurance are therefore very important for determining the level of deductions.

Pension adjustments

If the pension scheme's finances allow, pensions from the Pension Scheme for the Pharmacy Sector can be adjusted in line with decisions by the Board of Directors. The Board considers adjustment in relation to expected salary increases in the pharmacy sector and adjustment of National Insurance scheme pensions.

It is pensions before coordination with other benefits which are adjusted following a decision by the Board. The coordination deduction is adjusted according to the same rates as for the National Insurance scheme.

As the basis for adjustment from 01.05.2014 the Board used salary growth in the pharmacy sector of 3.5%. The Pension Scheme for Pharmacy Sector otherwise follows the same principles for adjustment as the public sector occupational pensions. This entails that adjustment of retirement pensions and AFP, as well as disability and dependents' pensions from 67 years of age is subject to a 0.75% deduction.

Pension liabilities

The actuarial reserves in the Pension Scheme for the Pharmacy Sector increased by NOK 530 million in 2014. As at 31.12.2014 the pension liabilities are estimated to be NOK 6,478 million.

The actuarial calculations of the pension liabilities are based on the assumption that the Pension Scheme for the Pharmacy Sector will continue to operate as long as liabilities towards its members exist as at 31.12.2014.

Insurance result
The year's underwriting result is calculated to be NOK 209 million before allocations to the securities adjustment reserve and other specified allocations. This results in overfunding as at 31.12.2014 of NOK 964 million or 15 per cent of the total premium reserve. We therefore see, as in 2013, that the effect of increased premium income and good returns resulted in a good financial position for the pension scheme. The overfunding represents the scheme's equity, and means that the pension scheme is better equipped to meet challenges connected with increasing reserves and buffer capital related to solvency capital requirements (Solvency II) and the new mortality tables (K2013).

The interest profit is positive and can be split into three different results: investment result, risk result and other result.

Interest result NOK 257 million
The interest profit is positive, which means that actual returns were higher than the calculated interest rate of 3 per cent. The expected rate of return used in the calculation of the premium rate for the year was 5 per cent. Actual returns for 2014 were approximately 6.6 per cent.

Risk result NOK – 3 million
The risk result is slightly negative and does not yet show a sufficient balance. The result was unexpected after the disability and mortality tables were strengthened over the last two years. The risk result is expected to fluctuate somewhat from year to year, a further strengthening of K2005 must be considered if the result continues to be negative.

Other result NOK – 45 million
The difference between the charged premiums to the pension scheme and the system-calculated premium necessary, with regard to the events which have occurred in 2014, appears as a separate result in the insurance statement. This entry is negative for 2014, which means that the charged premiums does not cover the actual accrued pension costs in 2014. The effect of the strengthened mortality tables constitutes a large proportion of the other result.

Assessment of the current financial situation
The financial situation for the pension fund is now satisfying as a result of the improved buffer capital in 2013 and 2014, as well as the strengthening of tables which has now been implemented. The strengthening of the mortality tables K2005, with a security margin of 15% was the final stage in the strengthening of tables carried out in recent years.

The mortality tables must be strengthened further in coming years, as a result of the decision by the Financial Supervisory Authority of Norway to introduce K2013 for collective pension insurance in life insurance companies and pension funds with effect from 01.01.2014. The financial services industry has been given up to 7 years to increase premium reserves, starting in 2014. It has been decided that the Pension Scheme for the Pharmacy Sector shall also increase premium reserves for K2013, even though the pension fund is not directly subject to the requirements of the Financial Supervisory Authority of Norway. The first stage in building up to K2013 is the strengthened K2005 with a 15% safety margin, which was completed in 2014. However it is not appropriate to implement K2013 before the ratios for younger groups are available.

The finalized rules for the new disability pension for public sector pension schemes was adopted by the Norwegian Parliament with effect from 01.01.2015. This will reduce the premium reserves for the scheme from 2015. It is recommended that the reduction be transferred to buffer capital to meet the requirements of Solvency II and K2013.

Investment management

Investment management delivered a value-adjusted return of some 6.6 per cent in 2014. Funds under management increased by more than NOK 740 million during the year, and totalled NOK 7.29 billion at the end of December

The investment management activities of the Pension Scheme for the Pharmacy Sector are intended to help the scheme meet its long-term commitments without incurring too great fluctuations in the premium. The aim of the investment activities of the pension scheme is to seek to achieve the highest possible return within the scheme's available risk capacity. Available risk capacity is determined on the basis of the probability to be able to maintain continued ordinary operations.

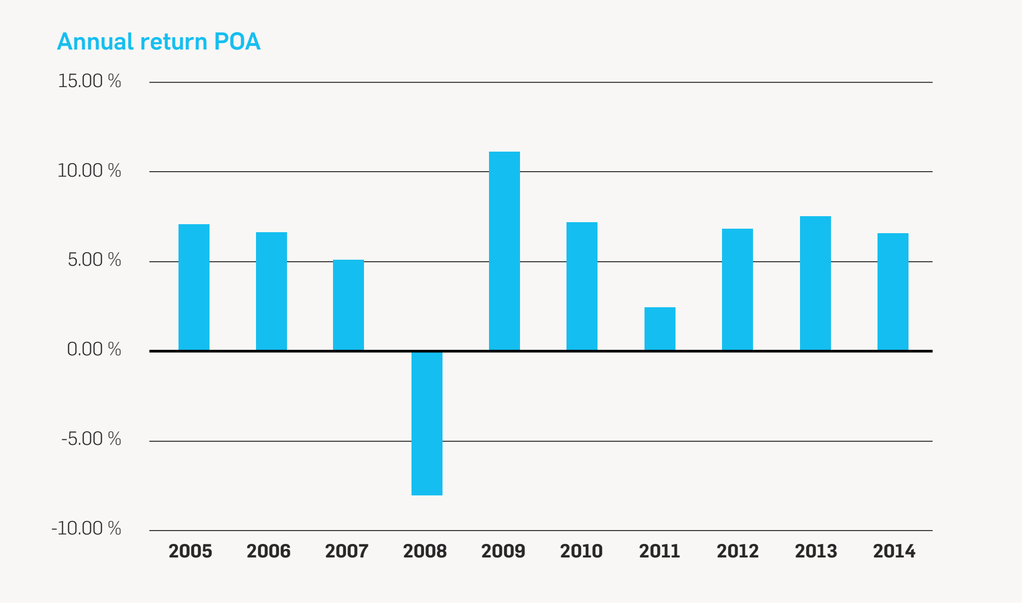
The Pension Scheme for the Pharmacy Sector's investment strategy has been adopted by the Board of Directors of the scheme. The strategy stipulates that the chosen investment portfolio must have a risk profile that means that the probability of meeting the legally-required equity requirement is at least 99 per cent. The allocation of the pension scheme's investments currently reflects the goal of achieving a satisfactory long-term return on capital in combination with a high level of diversification – in other words, spreading risk by investing in a range of different assets.

Results

The overall return on the pension scheme's funds for 2014 was 6.61 per cent (value-adjusted). This is significantly better than the return for the comparable reference index, which was 4.83 per cent. The time-weighted return was 6.60 per cent. As shown in the table below all asset classes have contributed positively to the total return for 2014. Interest-bearing investments represent a large proportion of the investment portfolio and made a major contribution to profits both as a result of credit exposure in the investments and falling interest rates. Share investments by the Pension Scheme for the Pharmacy Sector consist of direct investments in shares on Oslo Stock Exchange as well as investements in world index funds nominated in USD. The strengthening of the Dollar in the autumn of 2014 resulted in moderate price gains for USD nominated funds, while unrealised foreign currency gains when converting to NOK made a positive contribution to the Pension Scheme for the Pharmacy Sector's results. In total, share investments made a good contribution to returns for the year. Real estate investments have also provided good returns in 2014.

Fluctuations in returns are entirely normal and to be expected for an investment portfolio with a moderate level of risk, such as the Pension Scheme for the Pharmacy Sector. The figure on the next page shows the annual return on the Pension Scheme for the Pharmacy Sector's funds for the past 10 years. As shown in the figure, the Pension Scheme has only experienced one single year with a negative return during this period, at the start of the financial crisis in 2008. The average return for the 10-year period has been 5.24 per cent (time-weighted return).

Asset class:	Weight 31.12.2014	Rate of return
Interest-bearing investments (available-for-sale)	58.3%	5.0%
Interest-bearing investments (hold-to-maturity)	5.3%	6.6%
Shares	17.1%	7.0%
Real estate	11.8%	7.6%
Hedge funds	5.2%	2.3%
Loans to members	2.6%	3.2%
Bank deposits, derivatives	-0.3%	



Regulatory framework under development
The Pension Scheme for the Pharmacy Sector is managed in accordance with the the Act on the Pension Scheme for the Pharmacy Sector with related administrative regulations. The current administrative regulations were determined in 2011 and stipulate that as far as possible the management of the Pension Scheme for the Pharmacy Sector shall follow the same rules as equivalent pension schemes, i.e. the Insurance Activities Act with related regulations. In recent years the Financial Supervisory Authority of Norway has gradually increased the reporting requirements linked to stress tests for the pension funds, so that these are now largely the same as the requirements for life insurance companies. The Pension Scheme for the Pharmacy Sector is not obligated to report to the Financial Supervisory Authority of Norway, but calculates and reports on quarterly stress tests to the Board of Directors based on the same methods as stipulated by the Financial Supervisory Authority of Norway.

A draft occupational pension directive (IORP II) was presented by the EU in 2014, with a provisional implementation deadline at the end of 2016. The rules introduce significantly stricter requirements for the pension funds in areas such as management, control and risk assessment, while allowing the loosening of detailed regulation regarding investment activities.

Back in 2009 the Pension Scheme for the Pharmacy Sector's investment arm introduced a strategy based on overall risk consideration for the scheme, and for a number of years the Pension Shceme has ensured a professional implementation of the investment management activities, herunder ensuring that internal control and governance systems meet regulatory standars to the extent possible. We are therefore well equipped to meet future regulatory requirements for the industry. Throughout 2015 we will continue to follow regulatory development for pension funds, both to ensure good compliance and to be able to exploit any new opportunities to enhance returns for the Pension Scheme for the Pharmacy Sector.

Challenges facing the pension funds
Recent years have been challenging for providers of defined benefit pension schemes in the Norwegian market. Norwegian interest rates have remained low following the financial crisis of 2008. While interest rates are affected by international circumstances to a significant extent, wage levels in Norway are more affected by domestic issues. For many years, Norwegian wage inflation has been high compared with other countries and is now unusually high when compared with interest rates. This situation has led to pension liabilities growing much faster than pension fund assets. A further drop in interest rates around the end of 2014 has

brought the expected Norwegian interest rate curve for the 16-17 year perspective well under 3% which is the basis interest rate many pension schemes – including Pension Scheme for the Pharmacy Sector, use. This development has a significant effect on the assessment of the market value of insurance liabilities and related capital requirements.

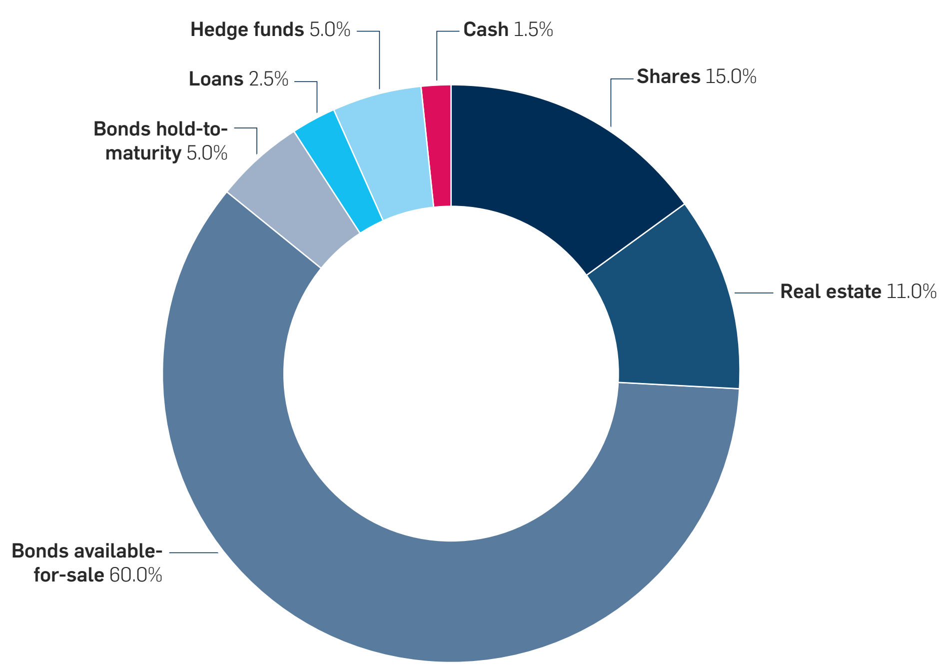
Asset allocation and outlook for 2015

At the end of 2014, the pension scheme managed funds totalling NOK 7,292 million. This is an increase of NOK 741 million throughout the year. Assets under management are still expected to grow throughout 2015 as a result of excess liquidity in the scheme.

The asset allocation strategy for 2015 maintains an overall medium risk profile for the pension shceme, and the investment portfolio is diversified across multiple asset classes with different risk and return expectations. Investment management has provided excellent returns in recent years. However, as the low interest rate levels continue, finding asset classes that provide satisfactory returns without taking exessive risk is challenging. Expectiations are therefore of moderate rates of return in the future.

Investment management has a continuous focus on identifying the investment opportunities that offer the best utilisation of the risk capacity of the Pension Scheme for the Pharmacy Sector. In recent years it has been necessary to take a different direction to find assets with moderate risk that still provide satisfactory returns. For this reason, in 2014 the Pension Scheme for the Pharmacy Sector began to restructure its hedge fund strategy, and this reconstruction will continue to be a focus area in the coming year. Infrastructure appears to be an attractive asset class for pension schemes, and in 2015 management will continue work to ensure that the Pension Scheme for the Pharmacy Sector has access to this class in the same way as other market operators.

The figure below shows strategic allocations in the various asset classes at the beginning of 2015.



The housing loan scheme

All members of the Pension Scheme for the Pharmacy Sector are eligible to benefit from our housing loan scheme. The maximum loan is currently NOK 1,200,000.

All loans must be secured by a mortgage or similar arrangement. Loans may be granted for home purchases or home improvements/extensions as well as for refinancing an existing mortgage.

As at 31.12.2014 the interest rate for housing loans was 3.25%. The interest rate was reduced to 2.9% from 01.03.2015 following a decision by the board of directors that the interest rate for mortgages should be the same as the standard interest rate for favourable employee loans, the standard interest rate.

At 2014 year-end there were 283 outstanding loans. This is a decline of 11% from 2013.

The loan portfolio comprises the following loans:

	Number of loans	Amount in NOK
Housing loan	274	178,268,695
Government-guaranteed debenture loan	6	2,728,142
Loans for pharmacy premises	3	130,800
Total	**283**	**181,127,637**

Report of the Board of Directors

Annual report 2014 for the Pension Scheme for the Pharmacy Sector

The Pension Scheme for the Pharmacy Sector is a statutory public service pension scheme for pharmacists and people employed in pharmacies. The scheme was established pursuant to Act no. 11 of 26 June 1953 concerning the pension scheme for the pharmacy sector. The Ministry of Labour and Social Affairs has drawn up administrative regulations for the pension scheme.

The administrative regulations contain provisions for the Board's responsibilities and authority, capital management requirements and limits for fund allocation. The regulations stipulate that the pension scheme is to be managed as a pension fund subject to the Act on insurance companies, pension companies and their operations etc. (the Insurance Activities Act) with related regulations and the regulations governing life insurance companies' and pension companies' investment management.

In accordance with the Act the pension scheme shall be managed by the Norwegian Public Service Pension Fund (SPK) in Oslo. At the end of 2014 the pension scheme had three male employees. All the employees are investment managers. The continuous follow-up of the employees is carried out by the Norwegian Public Service Pension Fund.

No discrimination shall occur on the grounds of gender, race, age or ethnic background in the Pension Scheme for Pharmacy Sector.

The pension scheme has guidelines for ethically responsible investments. These guidelines are based on the guidelines for the Folketrygdfondet (Government Pension Fund - domestic). In addition the pension scheme has resolved to use KLP's list of excluded companies as the basis for determining companies in which the pension scheme shall not invest.

As at 31.12.2014 the board of directors had five members. The Board of Directors is led by the CEO of the Norwegian Public Service Pension Fund. The other board members represent the Hovedorganisasjonen Virke, the Spekter Employers' Association, the Norwegian Association of Pharmacists and the Norwegian Association of Pharmacy Technicians. During the year the board of the pension scheme held six board meetings and dealt with 41 items of business.

The pension scheme's operations do not affect the external environment.

Members, contributions and benefit payments
At the 2014 year-end employees at 800 pharmacies were members of the pension scheme. This is an increase of 32 pharmacies from 2013. The pension scheme also includes members who are not pharmacy employees but who work in other positions associated with the pharmacy sector. The scheme had a total of 7,422 actively contributing members, as well as 4,600 current pensioners. In 2014, NOK 588 million was paid premiums, compared to NOK 559 million in 2013. In addition, NOK 264 million was paid in pensions, compared to NOK 244 million in 2013. Invoiced but not paid premiums constituted a total of NOK 151 million at the turn of the year.

The premium rate was 18.1 per cent in 2014. The premium is divided between employees and employers. Employees paid a premium of 3.4% of the contribution base, while employers paid a premium of 14.7%.

In 2014 the pensions were adjusted based on a factor of 3.50 per cent. In the same way as for National Insurance a fixed factor of 0.75% is deducted from the adjustment of the majority of pensions. This resulted in a minimum increase of the total pension of 2.72 per cent.

Financial risk
The board has adopted an investment strategy that clearly delineates which risks may be taken and which investments may be made. The strategy outlines that capital should be invested with a long-term perspective and with a moderate level of risk. As at 31.12.2014 the proportion of shares, equity funds and hedge funds was 21 per cent of the total assets. In the opinion of the board, the scheme's investment strategy and authorisation structure provide a good level of control over the management of the scheme's assets.

Some bonds classified as hold-to-maturity matured in 2014. At year-end the portfolio of bonds classified as hold-to-maturity represents 5 per cent of total assets, which is slightly less than the previous year. Current returns from this portfolio are around 6.5%.

Insurance risk

Risk management on the investment side and risk management in relation to the actuarial provisions reserves are viewed together. The actuarial provisions are commitments with a long time frame. Generally speaking, capital should therefore be invested with a long-term perspective.

The technical settlement for 2014 is based on the K2005 life expectancy tariff with a basic interest rate of 3 per cent. A 15% safety margin supplement for mortality related to the K2005 tariff is included. The assumption for rates of disability was based on K1963, boosted by a factor of 2.5.

Result

The result for the year shows a profit of NOK 76 million. Net profits related to financial assets stood at NOK 448 million, including changes in unrealised gains and losses. All asset classes have contributed positively to the return for 2014 as a whole.

Provisions have been made for unrealised price gains of NOK 133 million to the securities adjustment reserve in 2014. This has reduced the profit for 2014 accordingly.

In 2014 a total increase in pension liabilities (the premium reserve) was recorded of NOK 530 million. Growth in the number of active members, pensioners and members with deferred rights, as well as salary increases and the regulation of current pensions all contribute to the rise in liabilities.

This year's profit of NOK 76 million will be allocated to other retained earnings.

Financial position

As at 31.12.2014 the pension scheme's assets under management totalled NOK 7,292 million, of which approximately 62 per cent were placed in bonds and bond funds, 21 per cent in shares, equity funds and hedge funds, 11 per cent in property and real estate, 2 per cent in loans and 1 per cent in bank deposits, while other items account for 3 per cent of the total.

As at 31.12.2014 other retained earnings totalled NOK 539 million. This is an increase of NOK 76 million from 2013. The pension scheme calculates capital requirements based on the rules that apply to private pension funds. As at 31.12.2014 the calculated capital adequacy requirement totalled NOK 395 million and will be covered by other retained earnings.

The scheme's free equity, which consists of other retained earnings in excess of the capital adequacy requirement, totalled NOK 144 million at the end of the year. This is buffer capital necessary to cover random risks that are not covered by the premium. The buffer capital is equivalent to 1.9% of total equity.

As at 31.12.2014, NOK 425 million in net unrealised price gains was allocated to the securities adjustment reserve. The securities adjustment reserve operates as a buffer against possible future falls in market prices.

The pension scheme calculates capital requirements based on the Financial Supervisory Authority of Norway's stress tests on assets in accordance with similar rules which apply to private pension funds. The stress tests demonstrate the scheme's ability to bear losses without this threatening the ordinary operations of the scheme.

Measures previously decided by the Board related to premium payments, together with good returns on investment management combined to strengthen the buffer capital during 2014. The (time-weighted) return of 6.6 per cent in 2014 was better than that which was used in calculations at the beginning of the year and also better than the comparable reference index.

The technical reserves have risen strongly in recent years and show continued growth. The new mortality tariff (K2013) resulting from the increase in life expectancy will further increase the provisions required. Changes to the disability benefit rules from 01.01.2015 will reduce the requirement for extraordinary provisions since the released disability provisions will be used as provisions for increased life expectancy and the expected higher capital adequacy requirements resulting from the introduction of the Solvency II/IORP II regulations.

The growth in technical reserves together with low interest levels makes ensuring satisfactory buffer capital within the scheme a challenging task. However, the measures previously implemented by the board of directors contribute to ensuring the continued improvement of the capital situation for the scheme in the future.

Summary

The annual financial statements have been prepared under the going-concern assumption. As at 31.12.2014 the pension scheme had set aside technical reserves in accordance with the provisions of Act no. 11 of 26 June 1953 concerning the pension scheme for the pharmacy sector.

In the opinion of the board, the annual financial statements for the Pension Scheme for the Pharmacy Sector provide a satisfactory basis for assessing the results of the pension scheme's operations during 2014 and the scheme's financial position at year-end.

The buffer capital was strengthened during the year and as at 31.12.2014 meets capital requirements based on the Financial Supervisory Authority of Norway's stress tests with moderate stress factors. Low interest rates, together with the growth in pension liabilities create a challenge for the Pension Scheme for the Pharmacy Sector and for the industry in general. This means that it will be challenging to secure a satisfactory financial position for the pension scheme in the future.

The board of directors is of the opinion that the financial position at the end of the year is satisfactory. Together with the adopted investment strategy the board of directors is of the opinion that this provides a satisfactory basis for meeting the challenges facing the industry. The requirements for the going-concern assumption are accordingly satisfied.

Oslo, 23 April 2015

Finn Melbø (chairman)

Stein Gjerding

Edvin Alten Aarnes

Ann Torunn Tallaksen

Renate Messel Hegre

Annual financial statements

Income statement 2014

	Note	2014	2013
Technical account			
Premium income			
Premium income	15	593,186,172	570,009,660
Net income from investments in the collective portfolio			
Interest income and dividends, etc. on financial assets		168,131,729	170,480,629
Net operating income from real estate fund		36,684,069	31,349,827
Value adjustments on investments		135,616,669	163,289,323
Realised gains and losses on investments		84,012,956	62,604,454
Total net income from investments in the collective portfolio	19	424,445,424	427,724,233
Insurance benefits			
Pensions paid	16	264,356,483	244,424,668
Recognised changes in insurance liabilities			
Change in premium reserve	11	530,320,000	535,550,262
Change in exceptional liabilities		0	0
Change in securities adjustment reserve		133,483,744	164,984,700
Total recognised changes in insurance liabilities	20	663,803,744	700,534,962
Insurance-related operating costs			
Administrative costs	17	20,749,621	18,640,121
Insurance-related administrative costs	18	14,790,355	15,234,860
Total insurance-related operating costs		35,539,976	33,874,981
Technical result		**53,931,393**	**18,899,282**
Non-technical account			
Net income from investments in company portfolio			
Interest income and dividends, etc. on financial assets		9,142,594	9,673,850
Net operating income from real estate fund		1,994,790	1,778,932
Value adjustments on investments		7,374,504	9,265,783
Realised gains and losses on investments		4,568,420	3,552,463
Total net income from investments in the company portfolio	19	23,080,308	24,271,028
Other income			
Interest income on bank deposits, operations		174,243	90,339
Administrative costs and other costs linked to the company portfolio			
Administrative costs	17	1,194,881	1,129,756
Non-technical result		**22,059,670**	**23,231,612**
Total result		**75,991,063**	**42,130,893**
Transfers and allocations			
Allocated to/transferred from(-) other retained earnings	12, 13, 20	75,991,063	42,130,893
Total allocations		**75,991,063**	**42,130,893**

Balance sheet as at 31.12.2014 Assets

	Note	31.12.14	31.12.13
Assets in company portfolio			
Investments			
Financial assets valued at amortised cost			
Bonds classified as hold-to-maturity	2	14,560,143	21,988,364
Housing and business loans	3	6,835,831	9,085,205
Total financial assets valued at amortised cost		21,395,974	31,073,569
Financial assets at fair value			
Shares and mutual funds	4, 7	91,935,545	77,477,825
Bonds	5, 7	163,599,348	170,443,753
Financial derivatives	6, 7	335,222	19,776
Bank deposits	8	1,308,442	9,829,510
Total financial assets at fair value		257,178,557	257,770,864
Total investments in company portfolio		**278,574,531**	**288,844,433**
Receivables			
Accounts receivables	9	152,021,474	150,531,299
Receivables from brokers		30,775,059	0
Total receivables		182,796,532	150,531,299
Other assets			
Bank deposits, operations	8	6,656,873	5,000,667
Prepaid expenses and accrued income			
Accrued non-invoiced premiums		9,550,000	5,550,000
Accrued dividends		4,974,657	4,596,688
Prepaid expenses		51,675	48,820
Total prepaid expenses and accrued income		14,576,332	10,195,508
Total assets in company portfolio		**482,604,269**	**454,571,907**
Assets in client portfolios			
Investments in collective portfolio			
Financial assets valued at amortised cost			
Bonds classified as hold-to-maturity	2	370,746,558	477,574,967
Housing and business loans	3	174,061,529	197,325,568
Total financial assets valued at amortised cost		544,808,088	674,900,535
Financial assets at fair value			
Shares and mutual funds	4, 7	2,340,965,060	1,682,775,005
Bonds	5, 7	4,165,748,498	3,701,942,918
Financial derivatives	6, 7	8,535,802	429,526
Bank deposits	8	33,316,998	213,491,459
Total financial assets at fair value		6,548,566,358	5,598,638,908
Total investments in collective portfolio		**7,093,374,446**	**6,273,539,443**
Total assets in client portfolios		**7,093,374,446**	**6,273,539,443**
Total assets		**7,575,978,715**	**6,728,111,350**

Balance sheet as at 31.12.2014 Equity and liabilities

	Note	31.12.14	31.12.13
Retained earnings			
Other retained earnings	10, 12	538,800,494	462,809,431
Total retained earnings	10, 13, 14	538,800,494	462,809,431
Insurance liabilities			
Premium reserve	11	6,478,216,000	5,947,896,000
Securities adjustment reserve		424,793,600	291,309,857
Total insurance liabilities		6,903,009,600	6,239,205,857
Liabilities in company portfolio			
Financial liabilities measured at fair value			
Financial derivatives	6	4,615,860	710,622
Accrued expenses and prepaid income			
Accrued expenses		12,018,589	9,951,136
Liabilities in client portfolios			
Financial liabilities measured at fair value			
Financial derivatives	6	117,534,170	15,434,304
Total equity and liabilities		**7,575,978,714**	**6,728,111,350**

Oslo, 23 April 2015

Finn Melbø (chairman)

Stein Gjerding

Edvin Alten Aarnes

Ann Torunn Tallaksen

Renate Messel Hegre

Cash flow statement 1.1. (3112)

	2014	2013
Cash flow from operations		
Contributions from members	587,656,064	558,889,993
Bank interest	1,490,444	1,872,792
Interest income on loans	6,732,837	7,491,821
Interest on bonds/certificates	156,314,627	156,193,939
Dividends	12,786,308	14,582,073
Other income	2,893,615	583,029
Total	767,873,895	739,613,647
Financial expenses paid	-2,024,498	-2,299,502
Pensions paid	-264,356,483	-244,424,668
Administrative expenses	-34,838,885	-33,849,841
Change in accounts payable	2,745,241	-2,437,955
Changes in other liabilities	-677,788	4,484,250
Total	-299,152,412	-278,527,716
Total cash flow from operations	**468,721,483**	**461,085,931**
Cash flow from investments		
Net realised losses/gains on shares/derivatives/hedge funds	37,236,878	-10,836,102
Net realised price gains on bonds/certificates	51,344,498	76,993,019
Net realised returns on real estate fund	38,678,860	33,128,759
Net change in loans	25,441,180	18,775,762
Net losses on loans	354	27,442
Net change in real estate fund	-237,348,994	-97,500,985
Net change in securities	-545,974,720	-349,372,029
Net change in other receivables	-25,138,862	8,101,284
Total cash flow from investments	**-655,760,806**	**-320,682,850**
Cash flow from financing activities		
Paid in capital	0	0
Total cash flow from financing activities	**0**	**0**
Net cash flow for the period	**-187,039,323**	**140,403,081**
Cash and cash equivalents 01.01.	228,321,636	87,918,555
Cash and cash equivalents 31.12.	41,282,313	228,321,636
Net change cash and cash equivalents	**-187,039,323**	**140,403,081**

Notes

Notes

Note 1 | Accounting principles

Wherever possible the annual financial statements have been prepared in accordance with the Regulation of 20.12.11 on annual financial statements etc. for pension companies and with the Norwegian Accounting Act that came into force on 01.01.99.

Pension premiums
Pension premiums are recorded as income as they accrue. Pension premiums are paid in each quarter in arrears.

Interest income
Interest is recorded as income as it accrues.

Financial assets valued at amortised cost
Bonds classified as held-to-maturity are valued at cost price, adjusted for recognised premium/discount. The premium/discount at the acquisition date is recognised in the income statement spread over the bond's remaining life. Housing and business loans are recorded at par value as at 31.12.2014

Financial assets at fair value
Shares and mutual funds
Investments in shares and mutual funds are booked at fair value as at 31.12.2014. Changes in value are recognised in the income statement. Fair value is equivalent to the market value as at 31.12.2014, which is based on the last official trade in 2014.

Shares in the real estate fund are included in shares and mutual funds. Shares are valued at the market value as at 31.12.2014 The market value is based on independent valuations of the properties.

Bonds
Investments in bonds are booked at fair value as at 31.12.2014. Changes in value are recognised in the income statement. Fair value is equivalent to the market value as at 31.12.2014, which is equivalent to the tax assessment value for 2014.

Financial derivatives
Foreign currency forward contracts and options are booked at fair value as at 31.12.2014. Fair value is equivalent to the market value as at 31.12.2014

Securities that are valued at fair value are considered a single portfolio. The unrealised gain or loss in the portfolio is designated as the difference between the total acquisition cost and the total market value. Any net unrealised gain in the portfolio is allocated to the securities adjustment reserve. Any net unrealised loss in the portfolio is recognised as an expense in the income statement.

Foreign currency
Bank deposits together with receivables and liabilities designated in foreign currencies are recorded using exchange rates as at 31.12.2014

Insurance liabilities
The calculations are based on the assumption that the pension scheme will continue to operate as long as obligations exist towards its members as at 31.12.2014 Accordingly, account has been taken of all potential pension benefits provided for in the Act on the pension scheme for the pharmacy sector, both current benefits and benefits that may be relevant in the future. Account has also been taken of the contractual pension scheme (AFP) that allows the drawing of a pension from the age of 62, subject to certain criteria.

The cash value of all scheme members' pensions has been calculated on the basis of membership status at the balance sheet date (31.12.2014). This calculation has been carried out using standardised actuarial principles, and allowance has been made for discounting and calculation of risk. The calculations are based on a linear accrual of pension benefits from initial employment until retirement, subject to adjustment for any additional periods during which the member may previously have accrued pension entitlements.

The actuarial assumptions of mortality and the dependent probability are based on K2005, but with the addition of a 15% safety margin for both genders.

The assumption for rates of disability was based on K1963, boosted by a factor of 2.5.

Retained earnings
Retained earnings consist of Other retained earnings. Other retained earnings comprise the pension scheme's excess capital in relation to the pension scheme's commitments. As a minimum the equity must cover the estimated capital adequacy requirement. The capital adequacy requirement is described in more detail in Note 14. Other retained earnings in excess of the capital adequacy requirement are defined as free equity. There are no guidelines limiting the application of free equity in the Pension Scheme for Pharmacy Sector.

Note 2 | Bonds classified as hold-to-maturity

Figures in NOK 1,000

Issuer	Par value	Cost price	Book value	Market value	Difference between book value and par value
Government-guaranteed	100,000	90,490	94,814	113,060	5,186
Banking/finance	160,000	155,102	158,751	176,867	1,249
Municipality/county	0	0	0	0	0
Industry	97,000	97,000	97,000	100,951	0
Energy	25,000	25,000	25,000	30,000	0
Bonds classified as hold-to-maturity:	**382,000**	**367,592**	**375,564**	**420,878**	**6,436**
Interest earned			9,742	9,742	
Total book value	**382,000**	**367,592**	**385,307**	**430,620**	**6,436**
Proportion of above in the collective portfolio			370,747		
Proportion of above in the company portfolio			14,560		
Book value 1.1.2014			499,563		
Additions 2014:			0		
Disposals 2014:			-111,000		
Accrued premium/discount for the year:			1,781		
Change in accrued interest 2014:			-5,037		
Book value 31.12.2014:			**385,307**		

All bonds classified as hold-to-maturity are listed on regulated marketplaces. All bonds are issued in NOK. The weighted average yield on bonds classified as hold-to-maturity is 6.5%. The average yield is calculated on the basis of cost price. The average yield is weighted in relation to the relevant security's cost price and added up. The difference between book and par value is recognised in the income statement over the remaining life of the bond.

Note 3 | Housing and business loans

The pension scheme provides loans to its members. Housing and business loans are recorded at par value as at 31.12.2014 No allowances are made for possible loan losses, since past lending losses have been extremely small.

Borrowers with housing loans are partially covered by credit insurance for which the pension scheme has self-insurance arrangements. No provisions have been made for potential claims as at 31.12.2014, since the number of claims and the sums relating to them have been low in recent years.

Specification of the loan portfolio:

	Housing loan	Government guaranteed debenture loans	Loans for pharmacy premises	Total
Number	274	6	3	283
Amount	178,038,418	2,728,142	130,800	180,897,360
Proportion of above in the collective portfolio:		174,061,529		
Proportion of above in the company portfolio:		6,835,831		

Interest rates as at 31.12.2014 were 3.25% for housing loans and 3.75% for government-guaranteed loans against promissory notes and loans for pharmacy premises.

Losses etc. on loans	**2014**	**2013**	**2012**	**2011**	**2010**
Principal written off	354	0	0	0	0
Principal written off, credit insurance	0	27,290	0	0	0
Interest written off	0	0	0	592	274
Interest written off, credit insurance	0	152	0	0	0
Previous payments written off	0	0	0	0	0
Total	**354**	**27,442**	**0**	**592**	**274**

Note 4 | Shares/fund shares

Shares listed on the Oslo Stock Exchange

Company	Cost price	Book value
Af Gruppen Ord	8,233,235	8,466,035
Aker	12,197,908	10,034,500
Austevoll Seafood	5,774,636	7,440,000
Borregaard Asa	8,168,265	13,841,978
Cxense Asa	4,999,930	4,192,249
Dnb Asa	10,469,901	18,349,632
Dno International Asa	7,693,751	6,791,500
Eam Solar Asa	8,305,204	6,300,000
Ekornes Asa	7,837,531	9,000,585
Entra Asa	5,886,513	6,502,500
Gjensidige Forsikring Asa	12,096,529	17,080,000
Hexagon Composites	9,975,441	8,279,250
Kongsberg Gruppen Asa	11,867,466	11,787,090
Lerøy Seafood Group	5,130,240	5,460,000
Marine Harvest Asa	6,197,714	11,834,529
Next Biometrics Group As	10,143,588	7,920,000
Nordic Vlsi	4,951,603	7,080,000
Norsk Hydro Asa	12,860,514	18,700,337
Norwegian Air Shuttle	8,524,546	11,860,580
Olav Thon Eiendomselskap	433,727	2,484,900
Opera Software Asa	3,832,325	8,623,720
Renonorden Asa	4,671,820	4,780,000
Ringerike Sparebank	1,780,394	2,118,540
Salmar	3,876,989	8,287,500
Schibsted	5,674,635	17,153,151
Sparebanken Midt Norge	6,785,205	7,312,500
Sparebanken Møre	3,241,005	3,466,800
Sparebanken Vest	3,942,230	4,115,750
Statoil Asa	7,180,158	6,625,731
Telenor Asa	6,700,090	19,801,050
Telio Holding Asa	5,851,680	5,950,000
Weifa Asa	4,320,000	4,935,417
Yara International	13,094,456	15,924,597
Total Norwegian shares	**232,699,228**	**302,500,421**
Asetek As	7,183,686	3,800,000
Bakkafrost	2,522,034	5,829,000
BW OFFSHORE LIMITED	5,924,405	5,257,000
Odfjell Drilling Ltd	5,801,196	1,995,000
Royal Caribbean Cruises	3,681,539	9,949,800
Stolt Nilsen Asa	3,935,062	2,935,500
Vizrt Ltd	4,567,183	5,610,900
Total foreign shares	**33,615,106**	**35,377,200**
Total shares listed on the Oslo Stock Exchange	**266,314,334**	**337,877,621**

Note 4 | Shares/fund shares (contd.)

Equity funds

Fund	Cost price	Book value
Black Rock World Index Subfund	229,466,126	463,949,436
State Street World Index Plus Fund CTF	252,840,249	395,978,582
Total foreign equity funds	**482,306,374**	**859,928,018**

Hedge funds

Fund	Cost price	Book value
Amida Partners Offshore Fund Ltd - Class E-2	13,422,550	14,949,330
Aristeia International Ltd A	16,151,779	17,132,581
Axonic Systematic Arbitrage Overseas Fund	22,660,857	24,781,196
Blue Mountain Credit Alt Ltd Class S	912,038	1,056,363
BlueMountain Equity Alt Ltd	1,609,060	1,912,685
Canyon Balanced (Cayman), Ltd	3,036,683	3,362,196
Capeview Recovery Fund	16,320,180	17,687,827
Certificates Credit Suisse Guernsey branch	655,333	1,188,808
Gottex Market Neutral Fund (USD Class B)	2,861,591	3,305,037
Gottex Market Neutral Plus Fund (USD Non Leveraged)	3,670,599	4,157,118
Gruss Global Investors Ltd (Class E)	288,693	333,332
GSS Offshore SPC - Ellington SPC A	6,311,610	7,346,233
GSS Offshore SPC - Ellington SPC B Subclass 3	16,113,600	17,562,130
Ionic Event Driven Ltd. A	98,775	107,393
Jet Capital Concent. Off. C	16,214,121	16,816,231
LibreMax Offshore Fund, Ltd. A	3,843,405	4,497,698
Lyxor Tiedemann Arbitrage Strategy Fund Class I USD	13,717,421	15,126,711
Metage Emerging Markets Opp.	4,121,253	4,057,817
MidOcean Credit Opportunity Offshore Fund Ltd.	18,424,663	19,540,557
Nipun Asia Total Return Offshore Fund Ltd Class E	21,097,046	22,515,436
OM Arbea Fund Limited (Class E USD)	22,250,073	25,347,212
One William Street Capital Off. AA:11/14	3,069,370	3,434,651
PanAgora Div. Arb. Off.	21,576,610	23,276,416
Pine River Fund Ltd (A Initial)	1,421,535	1,650,981
Quantedge Global Fund (Offshore) Class B	14,064,698	13,992,870
QVT Offshore Ltd. 1-NI: 1549	4,832,760	5,172,040
Rockhampton Fund A USD Unr. 2, 08, 03	4,461,960	4,964,525
Saba Capital Offshore Fund Ltd. Class A Sub Class 1	129,937	139,224
Sector Healthcare Fund (Class A NOK)	20,402,707	34,543,390
Sola I T3	131,800	148,558
TIG Securitized Asset, Ltd. A5 Voting Class	23,466,822	25,418,904
Tourbillon Global Eq. Ltd	1,630,845	1,820,437
Vollero Beach Capital	1,956,021	2,133,472
WAF Offshore Fund, Ltd. Class A	21,462,106	23,540,348
Waterfall Eden Fund C2	12,197,412	13,560,693
Total foreign hedge funds	**334,585,916**	**376,580,400**

Note 4 | Shares/fund shares (contd.)

Real estate funds	Cost price	Book value
Fund		
Aberdeen Eiendomsfond Norge I AS	4,004,567	4,092,091
Aberdeen Eiendomsfond Norge I IS	381,589,052	393,564,530
Pareto Eiendomsfelleskap AS/IS	453,822,502	460,857,945
Total real estate funds	**839,416,120**	**858,514,566**
Total shares and mutual funds	**1,922,622,744**	**2,432,900,604**
Proportion of above in collective portfolio	1,849,969,809	2,340,965,060
Proportion of above in company portfolio	72,652,935	91,935,545

The portfolio of Norwegian individual shares comprises shares that are listed on the Oslo Stock Exchange or that are expected to be listed within six months. Limits have been imposed on the proportion of total capital that can be invested in shares in a single company, as well as for the overall maximum risk for the management of individual shares. Through 2013 the investment objective for the portfolio of individual shares was to achieve higher returns than that of the Oslo Stock Exchange. The Pension Scheme changed the investment mandate for the portfolio at the beginning of 2014. The purpose of the change was to reduce the concentration risk related to large Norwegian companies, as well as to achieve a better utilization of the Scheme's risk-bearing capacity. The reference index for share investments is the MSCI World Index.

The Black Rock World Index Subfund and the State Street World Index Plus Fund reflect the MSCI World Index and accordingly have approximately the same risk profile as the latter.

At the beginning of the year investments in hedge funds consisted of 35 different funds. Previously the Pension Scheme for the Pharmacy Sector had two fund–of–funds investments which made up the majority of hedge fund investments, but in 2014 these were replaced by investments in a portfolio of individual funds, which represents around 90% of hedge fund investments. The practical selection of and trading in individual funds is carried out by an external investment manager, Gottex Fund management. The reference index for the hedge fund investments for 2014 has been the Global Hedge Fund Index as for previous years. Although the overall risk profile for hedge fund investments has increased slightly after the changes made it is still expected to remain significantly lower than the risk profile for investments in shares.

Real estate investments consist of holdings in Aberdeen Eiendomsfond Norge I IS/AS and Pareto Eiendomsfellesskap AS/IS. These investments are booked at market value as at 31/12/2014 The market value of the investments is based on independent valuations of the properties.

The book value of real estate investments as at 31.12.2014 (NOK 1,000):

	2014	2013	2012	2011	2010
Opening balance	609,043	514,961	446,935	400,407	207,866
Purchases during the year at acquisition cost	237,349	120,679	78,244	49,523	178,446
Disposals during the year at disposal cost	0	-23,179	-6,450	-8,878	0
Adjustments in value during the financial year	12,123	-3,418	-3,768	5,883	14,095
Closing balance	**858,515**	**609,043**	**514,961**	**446,935**	**400,407**
Proportion of above in the collective portfolio	826,073	582,236	490,958	421,747	370,244
Proportion of above in the company portfolio	32,442	26,807	24,003	25,188	30,163

Pareto Eiendomsfellesskap AS/IS is structured as two companies – Pareto Eiendomsfellesskap IS and Pareto Eiendomsfellesskap AS – with the latter company being the principal shareholder in the former. The investment in Pareto Eiendomsfellesskap AS/IS is viewed as a direct investment in real estate. Investments have only been made in properties in Norway. Of the total investments made by Pareto Eiendomsfellesskap, 75% comprise real estate in Greater Oslo, 14% comprise real estate in other parts of Østfold while 9% comprise real estate in Vestfold. 67 per cent of the total investments is in buildings relating to warehousing/logistics, 19 per cent is in buildings related terminals/logistics while the remaining investments are in buildings relating to trade The average time remaining on lease agreements for properties in the portfolio increased during 2014 from 9.3 years to 9.9 years. At year-end 2014 gross rents for properties in the portfolio amounted to NOK 146 million.

Aberdeen Eiendomsfond Norge I IS/AS is structured as two companies – Aberdeen Eiendomsfond Norge I IS and Aberdeen Eiendomsfond Norge I AS – with the latter company being the principal shareholder in the former. The investment in Aberdeen Eiendomsfond Norge I IS/AS is viewed as a direct investment in real estate.. Investments have only been made in properties in Norway. Of Aberdeen Eiendomsfond Norge I IS/AS' total investments, 67% comprise real estate in Oslo, 15% in Trondheim, 8% in Bergen, 6% in Stavanger and 6% in other municipalities. The portfolio consists of 27 properties with almost 300 different tenants. The average time remaining on lease agreements for properties in the portfolio at the end of 2014 is 5.2 years, a slight decrease compared with the end of 2013 In 2014 gross rents for properties in the portfolio amounted to NOK 388 million.

None of the premises is occupied by the Pension Scheme for Pharmacy Sector.

Note 5 | Bonds

Issuer	Cost price	Market value	Unrealised gains
Banking and finance	1,637,496,293	1,649,850,749	12,354,456
Municipality/county	424,846,030	434,220,000	9,373,970
Government-guaranteed	311,745,405	322,361,350	10,615,945
Industry	1,084,716,360	1,094,132,934	9,416,574
Energy	533,941,550	552,659,700	18,718,150
Subordinated loans	253,181,870	251,822,500	-1,359,370
Total interest-bearing securities classified as financial current assets	**4,245,927,509**	**4,305,047,233**	**59,119,725**
Interest earned		24,300,613	
Total	**4,245,927,509**	**4,329,347,846**	
Proportion of above in the collective portfolio		4,165,748,498	
Proportion of above in the company portfolio		163,599,348	

The interest-bearing securities portfolio classified as financial current asset consists of interest-bearing securities listed on the Oslo Stock Exchange, Oslo ABM and Nordic Nasdaq (Stockholm) as well as unlisted securities. All interest-bearing securities classified as financial current assets are nominated in NOK, with the exception of five securities nominated in USD and three nominated in SEK. The current effective rate of interest for variable interest securities is approximately 2.0 % and for fixed interest securities is approximately 2.3 %. The average effective rate of interest is calculated on the basis of the securities' effective rate of interest in relation to their market value.

Note 6 | Financial derivatives

The purpose of employing derivatives is to increase the effectiveness of the management of fund assets, including the potential to hedge investments. In principle the pension scheme can only invest in listed (standardized) derivatives. The underlying securities must be securities in which the scheme can invest in accordance with applicable guidelines. Non-standardised derivatives ("over-the-counter derivatives"/"OTC derivatives") may only be employed for hedging purposes. However this does not apply to Norwegian FRA.

As at 31.12.2014 investments were held in the following derivatives:

Equity derivatives:	**Nominal amount in NOK**	**Fair value in NOK**
Euro Stoxxs basic resources future	49,909,829	4,903,066
S&P put options	-446,648,904	3,967,958
Total equity derivatives	**-446,648,904**	**8,871,024**
Proportion of above in the collective portfolio (assets)		8,535,802
Proportion of above in the company portfolio (assets)		335,222

Forward currency contracts:		
EUR	-169,970,780	-180,814,701
USD	-766,299,208	-869,826,530
GBP	-63,691,518	-69,446,009
SEK	-28,806,016	-30,618,410
NOK	1,028,767,522	1,028,767,522
Total forward currency contracts	**0**	**-121,938,128**

Interest rate derivatives:		
Euro-bond future	**-70,275,023**	**-211,903**
Proportion of above in the collective portfolio (liabilities)		-117,534,170
Proportion of above in the company portfolio (liabilities)		-4,615,860

During 2014 investments in foreign shares have been hedged through the use of options. Hedging arrangements have been recognised in the financial statements for 2014 at around NOK 11.5 million net. Parts of the foreign equity exposure was hedged at year end. In 2014, share futures and some interest rate futures were also traded. Derivatives have been used to adjust equity exposure and interest rate terms in an effective manner.

Note 7 | Financial instruments valued at fair value

In accordance with the Act relating to annual accounts for pension companies, financial instruments valued at fair value must be classified with regard to how fair value is measured. The classification indicates the relative uncertainty associated with fair value meassurement for the different levels.

The Act defines three fair value meassurement levels:

1 Fair value is measured using listed prices in active markets for identical financial instruments. No adjustment is carried out of these prices.
2 Fair value is measured using another observable input than the listed prices used in level 1, either directly (prices) or indirectly (derived from prices).
3 Fair value is measured using an input which is not based on observable market data (non-observable input).

Fair value hierarchy of financial instruments measured at fair value:

	31.12.2014	Level 1	Level 2	Level 3
Shares and mutual funds	2,432,900,604	337,877,621	859,928,018	1,235,094,966
Bonds	4,245,927,509	-	4,245,927,509	-
Financial derivatives	-117,970,170	-	-117,970,170	-
Total	**6,560,857,943**	**337,877,621**	**4,987,885,357**	**1,235,094,966**

Note 8 | Bank deposits

Of bank deposits related to operations of NOK 6,656,873 as at 31.12.2014, NOK 284,876 are restricted tax deduction funds.

As security for various derivative positions, the pension scheme is obliged to provide collateral in the form of locked-in bank deposits held in margin accounts. As at 31.12.2014 there are no such locked-in bank deposits.

Note 9 | Accounts receivables - losses on accounts receivables

Accounts receivables had a book value of NOK 152,021,474 and consisted of:

	31.12.2014	31.12.2013
Accounts receivables related to premium income:	151,230,548	149,700,440
Accounts receivables related to loans:	790,926	830,859
Provision for potential loss:	0	0
Total accounts receivables:	**152,021,474**	**150,531,299**

Accounts receivables are recorded at par value as at 31.12.2014

Recorded losses on receivables were as follows:

	2014	2013
Realised loss on receivables:	0	0
Change in provision for potential loss:	0	0
Recorded loss on receivables:	**0**	**0**

Note 10 | Other retained earnings

As at 31.12.2014 other retained earnings totalled NOK 539 million and, together with the securities adjustment reserve, made up the pension scheme's excess capital.

The pension scheme has calculated capital adequacy requirements using rules similar to those applicable to private pension funds in accordance with the administrative regulations from the Ministry of Labour and Social Affairs with effect from 2011. The requirement calculated for the guarantee fund as at 31.12.2014 is NOK 395,147 499 (see calculation in Note 14 below).

The capital adequacy requirement must be covered by other retained earnings. Other retained earnings less the capital adequacy requirement, but with the addition of the securities adjustment fund, total NOK 568,446,596. This constitutes the scheme's buffer capital.

Note 11 | Premium reserve

The Pension Scheme for Pharmacy Sector is only obliged to perform a technical calculation of future insurance liabilities every five years. The board has nonetheless decided to perform such technical calculations annually. The results of these calculations are also used for accounting purposes.

The premium reserve corresponds to the calculated pension liabilities applied as technical reserves. These reserves must cover future pension entitlements accrued at the balance sheet date by the scheme's members. Wherever possible the amount of provision has been calculated in accordance with the guidelines applicable to private sector pension funds. This involves the calculation of the cash value of linearly accrued pension entitlements registered on the balance sheet date for deferred, potential and current benefits in accordance with standard technical insurance principles.

The basis for the calculation is the industry tariff K2005 with a basic interest rate of 3% and the addition of a 15% safety margin for mortality relating to the K2005 tariff.

The assumption for rates of disability was based on K1963, boosted by a factor of 2.5.

The provision for the premium reserve includes provisions to cover future costs relating to the administration of payments of current accrued pension entitlements. The Pension Scheme for the Pharmacy Sector has opted to make provision for these future costs in the order of 4% of calculated pension liabilities. Provision has been made in respect of current pensio-ners, actively contributing members and former employees with deferred pensions (i.e. employees who have left member-qualifying positions and have earned pension rights).

Note 12 | Allocation of the total result for the year

This year's profit of NOK 75,991,063 million will be allocated to other retained earnings.
Other retained earnings total NOK 539 million as at 31.12.2014 and constitute the scheme's excess capital together with the securities adjustment fund.

Note 13 | Specification of changes in retained earnings

As at 31.12.2014 retained earnings total NOK 538,800,494. The change in retained earnings in 2014 may be specified as follows:

Retained earnings as at 31.12.2013	462,809,431
+ Net profit for the year allocated to other retained earnings	75,991,063
= Retained earnings as at 31.12.2014	**538,800,494**

Note 14 | Calculation of capital adequacy requirement

The basis for calculating primary capital as at 31.12.2014 was as follows:

Certificates & Bonds	Balance	Risk weight			Risk-weighted balance	Risk-weighted calculation base, 8%
Government and central bank	423,108,775	0			0	0
Investments in state-owned enterprises	0	0.1			0	0
Public sector excluding government and central bank	435,535,684	0.2			87,107,137	6,968,571
Domestic financial institutions and foreign credit institutions	2,017,592,756	0.2			403,518,551	32,281,484
Book value of primary capital in other financial institutions	252,831,864	1			252,831,864	20,226,549
Investments in industry or other business activities	1,585,585,469	1			1,585,585,469	126,846,837
Total	**4,714,654,548**				**2,329,043,021**	**186,323,442**
Bank deposits	**41,282,314**	0.2			**8,256,463**	**660,517**
Share/fund investments	**1,574,386,039**	1			**1,574,386,039**	**125,950,883**
Foreign-exchange contracts		0			**0**	**0**
Derivatives						
Futures	4,903,066	0			0	0
Options	3,967,958	1			3,967,958	317,437
Total	**8,871,024**				**3,967,958**	**317,437**
Housing and business loans						
Loans other than housing guaranteed by governments/ central banks	2,728,142	0			0	0
Housing loans within 80% of the appraised value	178,038,418	0.35			62,313,446	4,985,076
Other lending other than housing loans	130,800	1			130,800	10,464
Total	**180,897,360**				**62,444,246**	**4,995,540**
Real estate investments	**858,514,566**	1			**858,514,566**	**68,681,165**
Accrued asset items						
Accounts receivables	152,021,474	0.5			76,010,737	6,080,859
Other receivables	30,775,059	0.5			15,387,529	1,231,002
Accrued dividends	4,974,657	0.5			2,487,329	198,986
Accrued interest income		0.5			0	0
Accrued premiums	9,550,000	0.5			4,775,000	382,000
Prepaid expenses	51,675	0.5			25,838	2,067
Total	**197,372,864**				**98,686,432**	**7,894,915**
Total calculation base	**7,575,978,715**				**4,935,298,725**	**394,823,898**
Derivatives and off-balance sheet items						
Foreign-exchange contracts with a remaining maturity of < 1 year	1,028,767,522	0.02	20,575,350	0.2	4,115,070	329,206
Interest rate contracts with a remaining maturity of < 1 year	-70,063,120	0.005	-350,316	0.2	-70,063	-5,605
Interest rate contracts with a remaining maturity of 1 year to 5 years		0.01	0	0.2	0	0
Equity contracts with a remaining maturity of < 1 year	45,006,763		0		0	0
Total calculation base including derivatives and off-balance sheet items	**8,579,689,879**				**4,939,343,732**	**395,147,499**
8% of the risk-weighted balance sheet comprises NOK 395,147,499						

In comparison, the basis for calculating primary capital as at 31.12.2013 was as follows:

Certificates & Bonds	Balance	Risk weight			Risk-weighted balance	Risk-weighted calculation base, 8%
Government and central bank	952,471,988	0			0	0
Investments in state-owned enterprises	0	0.1			0	0
Public sector excluding government and central bank	330,947,721	0.2			66,189,544	5,295,164
Domestic financial institutions and foreign credit institutions	2,163,310,847	0.2			432,662,169	34,612,974
Book value of primary capital in other financial institutions	0	1			0	0
Investments in industry or other business activities	925,219,446	1			925,219,446	74,017,556
Total	**4,371,950,002**				**1,424,071,159**	**113,925,693**
Bank deposits	**228,321,635**	0.2			**45,664,327**	**3,653,146**
Share/fund investments	**1,151,209,967**	1			**1,151,209,967**	**92,096,797**
Foreign-exchange contracts		0			**0**	**0**
Derivatives	**449,302**	0			**0**	**0**
Housing and business loans						
Loans other than housing guaranteed by governments/central banks	3,666,604	0			0	0
Housing loans within 80% of the appraised value	202,341,387	0.35			70,819,485	5,665,559
Other lending other than housing loans	581,622	1			581,622	46,530
Total	**206,589,613**				**71,401,107**	**5,712,089**
Real estate investments	**609,042,863**	1			**609,042,863**	**48,723,429**
Accrued asset items						
Accounts receivables	149,742,744	0.5			74,871,372	5,989,710
Other receivables	0	0.5			0	0
Accrued dividends	4,596,688	0.5			2,298,344	183,868
Accrued interest income	609,715	0.5			304,858	24,389
Accrued premiums	5,550,000	0.5			2,775,000	222,000
Prepaid expenses	48,820	0.5			24,410	1,953
Total	**160,547,967**				**80,273,984**	**6,421,919**
Total calculation base	**6,728,111,350**				**3,381,663,408**	**270,533,073**
Derivatives and off-balance sheet items						
Foreign-exchange contracts with a remaining maturity of < 1 year	794,752,139	0.02	15,895,043	0.2	3,179,009	254,321
Total calculation base including derivatives and off-balance sheet items	**7,522,863,489**				**3,384,842,416**	**270,787,393**
8% of the risk-weighted balance sheet comprises NOK 270,787,393						

Note 15 | Premium contributions

Members contributed premium income totalling NOK 587,656,064 in 2014. By comparison, the book value of premium income was NOK 593,186,172. In 2013 members contributed NOK 558,889,993 in premiums, while the book value of premium income was NOK 570,009,660. The differential between premium income and premium contributions is attributable to the change in invoiced but unpaid premiums and the application of accrual accounting to premium income.

Note 16 | Pensions

Of the pension costs within the profit and loss account, NOK 673,002 represents write-offs of pension benefit overpayments. The corresponding figure for 2013 was NOK 1,301,117.

Note 17 | Administrative costs

Total administration costs came to NOK 21,944,502. The pension scheme has had three employees throughout 2014. Pay and social expenses for these three investment managers totalled NOK 8,653,207 in 2014 and are included in administrative costs.

Note 18 | Insurance-related administrative expenses

The pension scheme is managed by the Norwegian Public Service Pension Fund. In 2014 NOK 13,978,523 was charged against income in respect of the purchase of administrative services for the pension scheme, including costs relating to bookkeeping, actuarial services and pensions management. A further NOK 287,375 inclusive of VAT was charged against income for audit services, all of which related to standard audit services, as well as NOK 311,240 in remuneration to board members. Miscellaneous other costs and reimbursements of expenses totalled NOK 213,217. The total insurance-related administrative costs comprise NOK 14,790,355.

In 2014 the following remuneration was paid to the Board members of the scheme:

Finn Melbø (chairman)	60,975
Edvin A. Aarnes	59,385
Stein Gjerding	60,975
Renate Messel Hegre	62,566
Ann Torunn Tallaksen	20,855
Hovedorganisasjonen Virke *	26,511
Kari Lund (deputy)	1,591
Wencke Sartori Eide (deputy)	1,591
Kristin Juliussen (deputy)	1,591
Kim Nordlie (deputy)	15,200
Total	**311,240**

* Payment was made to Hovedorganisasjonen Virke for part of the year.

Note 19 | Return on capital

The estimated yield for the portfolio as a whole is as follows:

Year:	2014	2013	2012	2011	2010
Return stated as % (value-adjusted):	6.61	7.55	6.60	2.47	7.17
Return stated as % (recorded):	4.54	4.63	4.35	5.00	4.61

The return on capital shown above has been calculated in respect of the whole portfolio: i.e. both the collective and the company portfolios. From 2009 private sector pension funds are required to calculate the return on capital for the collective portfolio as a whole.

The value-adjusted returns for 2012, 2013 and 2014 are based on monthly yield calculations, while those for the previous years are based on an annual yield calculation.

Note 20 | Analysis of result

Changes in pension plan:	0.00 MNOK
Yield result [1]:	257.26 MNOK
Risk result [2]:	- 3.09 MNOK
Other result [3]:	- 43.50 MNOK
Administration result:	0.00 MNOK
Insurance result:	**210.67 MNOK**

1) The yield result is the difference between actual and estimated interest rates (the base rate).
2) The risk result is a comparison of risk income less risk expenses. Risk income comprises received and technically estimated risk premiums for mortality and disability, together with reserves released on the occurrence of risk events. Risk expenses are supplemented by mortality cross-subsidies in the case of non-risk events and by provisions for risk events.
3) Recognised difference between invoiced and actual pension cost. A negative result indicates the receipt of insufficient premium income.

Auditor's report

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To the Board of Directors of
The Pension Scheme for the Pharmacy Sector

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of The Pension Scheme for the Pharmacy Sector, which comprise the balance sheet as at 31 December 2014, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors' responsibility for the financial statements

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of The Pension Scheme for the Pharmacy Sector have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the pension scheme as of 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the international standard on assurance engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors have fulfilled their duty to properly record and document the pension scheme's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 23 April 2015
ERNST & YOUNG AS

Knut Aker
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Statistics

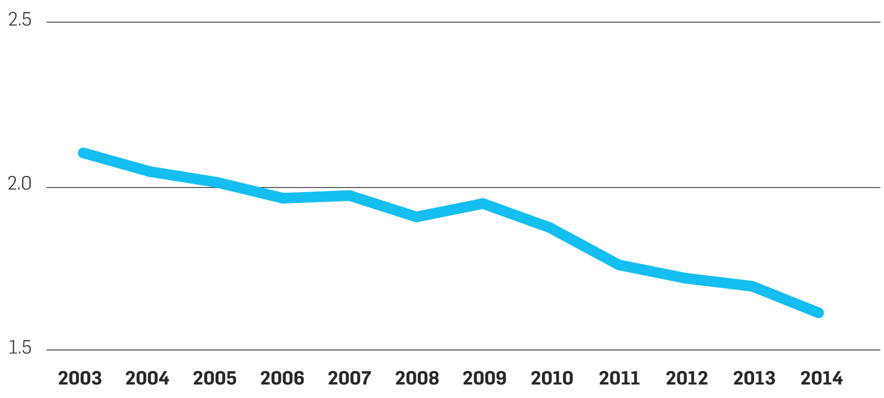
Members

Members	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Active	5,743	5,882	5,996	6,049	6,215	6,308	6,515	6,561	6,689	7,125	7,274	7,422
Deferred*	5,273	5,547	5,642	5,855	6,005	5,673	5,783	6,093	6,245	6,386	6,564	6,767
Pensioners	2,730	2,877	2,977	3,086	3,152	3,312	3,339	3,499	3,803	4,144	4,295	4,600
AFP		146	154	166	175	201	191	267	282	295	312	310
Retirement pension		1371	1,410	1,468	1,518	1,601	1,611	1,668	1,825	2,088	2,202	2,513
Disability pension		1,035	1,078	1,113	1,135	1,163	1,185	1,217	1,367	1,401	1,422	1,415
Spouse pensions		290	300	37	30	323	325	323	306	336	338	343
Children's pensions		35	35	302	294	24	27	24	23	24	21	19
Ratio of actively-employed/pensioners	2.104	2.044	2.014	1.960	1.972	1.905	1.951	1.875	1.759	1.719	1.694	1.613

* If you previously have been employed by an employer with an occupational pension in the Pension Scheme for the Pharmacy Sector, you may have accrued pension entitlements for a future pension. We call this a deferred pension. In the private sector, the term "paid-up policy" is used. The number stated is the number of policies, and not members.

The figures given are number of policies. A person can have more than one policy. For example, a person can receive partial disability pension and work partly in an active position. The person will then have two policies which correspond to the to positions respectively. A person can have more than one policy. The same person may therefore be counted several times.

Ratio actively-employed members/pensioners



The graph shows the development of the ratio of active members to pensioners in the scheme from 2003 to 2014. In 2003 there were 2.1 active members per pensioner in the scheme, while at the end of 2014 the ratio is 1.6 active members per pensioner. A declining trend, as evidenced elsewhere in society where life expectancy is increasing and there are fewer active members to finance future pension costs. For the pension scheme, such a trend where the number of pensioners is increasing at a rate greater than the number of active-employed members, means increasing future costs to finance the coming pensioners.

Active members

Active members by position

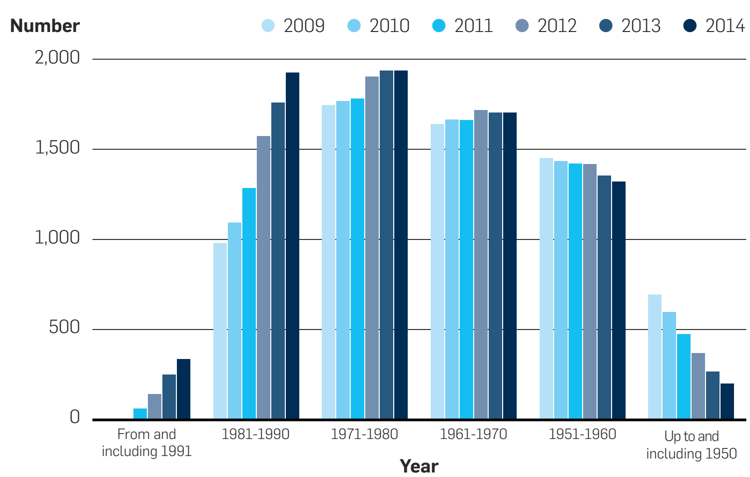
Members	2010	2011	2012	2013	2014 Women	2014 Men	2014 Total	Change (2013-2014)
Dispensing pharmacist	134	169	205	243	184	111	295	52
Pharmacy manager	741	775	915	871	743	185	928	57
Pharmacist	183	205	214	223	185	21	206	-17
Dispensing technician	1,190	1,204	1,274	1,293	1,196	112	1,308	15
Laboratory assistant	5	6	6	6	5	1	6	0
Pharmacy technician	3,564	3,577	3,746	3,841	3,718	126	3,844	3
Office employee	188	198	215	220	117	77	194	-26
Messenger, driver	11	8	9	11	2	9	11	0
Cleaner	57	54	48	40	31	1	32	-8
Manager	45	71	77	108	100	33	133	25
Operating concession holder	415	395	391	399	252	124	376	-23
Miscellaneous	28	27	25	19	67	22	89	70
Total	**6,561**	**6,689**	**7,125**	**7,274**	**6,600**	**822**	**7,422**	**148**

The table shows the distribution of active members in different positions, specified by gender.

Active members by year of birth

The table and diagram show the development in the number of actively-employed members of the pension scheme by year of birth, from 2009 to the present day. The Change column shows the change from 2013 to 2014.

We see how the older groups move out of the scheme, while the younger ones enter it. We see that a number of younger members have joined the scheme in recent years. This development will increase the ratio between active members and pensioners, thus strengthening the funding of the pension scheme.



Members by year of birth

Active	2009	2010	2011	2012	2013	2014 Women	2014 Men	2014 Total	Change (2013-2014)
From and including 1991	0	0	63	142	252	33	304	337	85
1981-1990	980	1,095	1,285	1,575	1,760	261	1,665	1,926	166
1971-1980	1,746	1,768	1,783	1,904	1,938	244	1,692	1,936	-2
1961-1970	1,641	1,665	1,663	1,717	1,704	140	1,563	1,703	-1
1951-1960	1,451	1,435	1,420	1,418	1,354	115	1,205	1,320	-34
Up to and including 1950	695	598	475	369	266	29	171	200	-66
Total	**6,515**	**6,561**	**6,689**	**7,125**	**7,274**	**822**	**6,600**	**7,422**	**148**

Pensioners

Type of pension

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change (2004-2014)
AFP	146	154	166	175	201	191	267	282	295	312	310	112%
Retirement pension	1,371	1,410	1,468	1,518	1,601	1,611	1,668	1,825	2,088	2,202	2,513	83%
Disability pension	1,035	1,078	1,113	1,135	1,163	1,185	1,217	1,367	1,401	1,422	1,415	37%
Spouse pensions	290	300	302	294	323	325	323	306	336	338	343	18%
Children's pensions	35	35	37	30	24	27	24	23	24	21	19	-46%
Total	**2,877**	**2,977**	**3,086**	**3,152**	**3,312**	**3,339**	**3,499**	**3,803**	**4,144**	**4,295**	**4,600**	

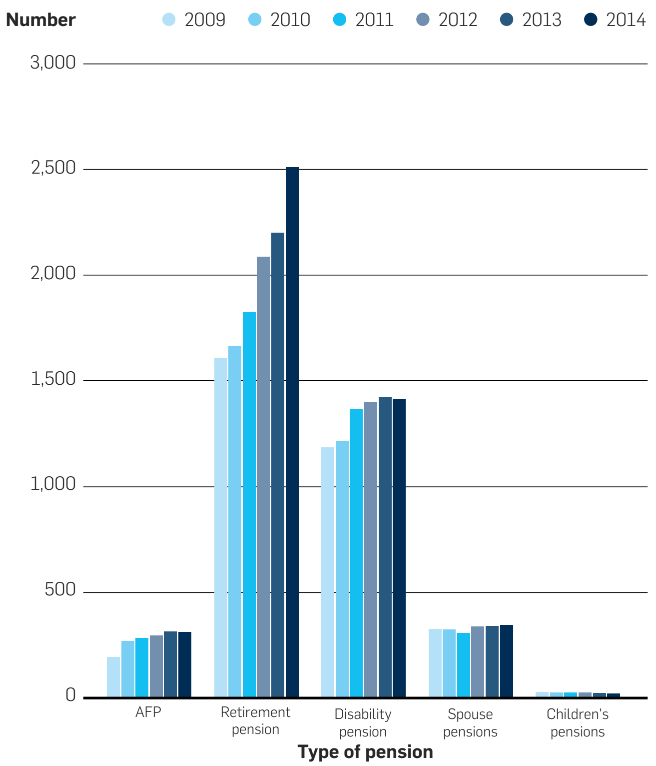
The table shows the development in the number of pensioners from 2004 until today. The Change column shows the change from 2004 to 2014.

Pensions paid

Type of pension		Gross paid	%	Coordination deduction	%	Net paid	%
Retirement and AFP pension	Men	70,249,139	10.93%	44,759,034	11.83%	25,490,105	9.64%
	Women	349,697,201	54.41%	186,355,019	49.25%	163,342,182	61.79%
	Total	**419,946,340**	65.34%	**231,114,053**	**61.08%**	**188,832,287**	**71.43%**
Disability pension	Men	12,424,668	1.93%	8,143,956	2.15%	4,280,712	1.62%
	Women	175,921,860	27.37%	121,406,784	32.09%	54,515,076	20.62%
	Total	**188,346,528**	29.30%	**129,550,740**	**34.24%**	**58,795,788**	**22.24%**
Spouse pension	Men	13,852,764	2.16%	7,582,536	2.00%	6,270,228	2.37%
	Women	19,577,496	3.05%	10,138,968	2.68%	9,438,528	3.57%
	Total	**33,430,260**	5.20%	**17,721,504**	**4.68%**	**15,708,756**	**5.94%**
Children's pensions	Men	607,056	0.09%	-	0.00%	607,056	0.23%
	Women	412,596	0.06%	-	0.00%	412,596	0.16%
	Total	**1,019,652**	0.16%	**-**	**0.00%**	**1,019,652**	**0.39%**
All pensioners	Men	97,133,627	15.11%	60,485,526	15.99%	36,648,101	13.86%
	Women	545,609,153	84.89%	317,900,771	84.01%	227,708,382	86.14%
	Total	**642,742,780**	100.00%	**378,386,297**	**100.00%**	**264,356,483**	**100.00%**

The table shows the amount of pension benefit payments made in 2014, grouped by type of pension benefit and specified by gender. All amounts are given in NOK. The gross total shows the total amount paid by the National Insurance and the Pension Scheme for the Pharmacy Sector. The net total amount shows the pensions scheme's share, i.e. how much more the members have received than if they had only received their pension from the National Insurance scheme

Pensioners



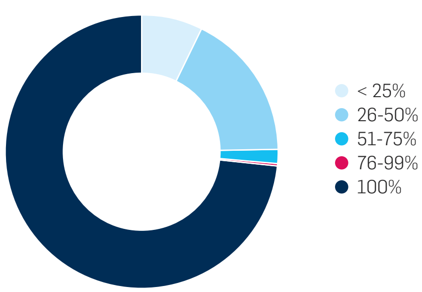
The diagram shows that the development in the number of pensioners over the last six years has increased for retirement pensions and disability pensions, while the number of pensioners drawing contractual pensions (AFP) has remained reasonably stable from 2010. The number of dependents' pensions has also remained stable in recent years

Disability pensioners' degree of disability

Degree of disability	2011	2012	2013	2014
- 25%	72	79	72	106
26-50%	182	199	184	244
51-75%	28	27	23	27
76-99%	5	8	7	1
100%	1,080	1,088	1,136	1,037
Total	**1,367**	**1,401**	**1,422**	**1,415**

The table shows the total number of disability pensioners by degree of disability for 2011, 2012, 2013 and 2014.

Degree of disability 2014



The figure shows the disability pensioners' various degrees of disability as a percentage of all disability pensioners. Almost 75% of those who receive a disability pension from the pension scheme have a degree of disability of 100%. Only 2% of those receiving disability pensions have a degree disability of between 50% and 99%. 23% of disability pensioners have a degree of disability less than 50%. Unlike National Insurance, the Pension Scheme for the Pharmacy Sector is able to grant disability pensions at a degree of disability of less than 50%.

Retirement pensioners by age limit upon drawing of pension

	2011			2012			2013			2014		
Age limit	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
65	3	253	256	1	241	242	1	229	230	1	208	209
68	90	1,262	1,352	96	1,399	1,495	106	1,491	1,597	123	1,697	1,820
70	133	366	499	146	500	646	143	544	687	157	637	794
Total	**226**	**1,881**	**2,107**	**243**	**2,140**	**2,383**	**250**	**2,264**	**2,514**	**281**	**2,542**	**2,823**

The table shows the number of early retirement pensioners and old-age pensioners given the age at which they drew their retirement pension, specified by gender.
The age limit is the time at which you must leave your position and you will normally be entitled to a retirement pension. Over time the number of pensioners with an age limit of 65 will be phased out. This follows changes to the legislation, in which the age limit for retirement was gradually increased to 70 for all groups. The last change was made in 2007.

Pension glossary

Age limit
The age limit is set by the position in which you are employed, and is the time at which you must leave your position. Most positions have a age limit of 70. The age limit should not be confused with the pension age, which indicates when you are able to leave your position with a pension.

Accrual for all years
New rules have been introduced for the accrual of National Insurance retirement pensions, known as accrual for all years. The rules entail that all years in which you are in employment or receive other pensionable income, from when you are 13 years of age until you reach 75, count towards the accrual of your pension entitlement.

Gross scheme / gross pension
The term 'gross scheme' is normally used to describe pension schemes that guarantee a future (gross) pension level, regardless of any changes in National Insurance. The most usual level for retirement pensions in gross schemes is 2/3 (66%) of final salary.

National Insurance
National Insurance was established in 1967, and forms the basis for our social and economic support system, and covers everyone who is resident in Norway.

National Insurance base factor (G)
The National Insurance base factor (G) is a key variable in the current pension system. It is used in determining pension benefits and to calculate National Insurance pensions. The National Insurance base factor, which we often refer to as 'G', is adjusted once a year and is NOK 82,122 as at 01.05.2012.

Individual guarantee
(See also gross scheme / gross pension). Age adjustment may result in the payment of less than 66% of the contribution base in pension. Members of public sector occupational pension schemes who were born in 1958 or earlier have an individual guarantee which ensures that they will receive 66% of the contribution base when they reach 67, under certain conditions.

Age adjustment
From 2011, your retirement pension will be allocated based on the number of years you are expected to live. This is called age adjustment. While life expectancy increases, everyone born in a particular year must work longer than people born in the previous year in order to get the same pension.

Net scheme
Pension schemes in which the pension is a supplement to other schemes. The pension is paid in full, regardless of benefits from National Insurance.

Deferred pension
If you have previously been employed by an employer with an occupational pension in the Pension Scheme for the Pharmacy Sector, you may have accrued pension entitlements for a future pension. We call this a deferred pension. In the private sector, the term 'paid-up policy' is used. There is a qualifying period requirement of at least 3 years for entitlement to a deferred (future) pension.

Qualifying period
The qualifying period is the length of time you have been a member of the Pension Scheme for the Pharmacy Sector. This is normally the period in which pension contributions have been deducted from your salary, regardless of whether you have worked in a full-time or part-time position.

Pension transfer agreement
An agreement regarding the transfer of pension entitlements between public sector occupational pension schemes. The Pension Scheme for the Pharmacy Sector was covered by the agreement in the period 01.04.1996 – 01.02.2003.

Pension age
The pension age is the earliest age at which you can leave your position with a retirement pension. The normal pension age is 67 years. Pension age should not be confused with age limit.

Contribution base
The income from which pension contributions are deducted, and that the pension from the Pension Scheme for the Pharmacy Sector shall be calculated from. As a rule, the contribution base is the salary, i.e. fixed annual salary and any pensionable supplements, which you have when you leave your position. Salary over 10G is not included.

Pension adjustment
The Board can decide to undertake pension adjustments. The Board considers adjustment in relation to expected salary increases in the sector and adjustment of National Insurance scheme pensions.

Co-ordination
The pension from the Pension Scheme for the Pharmacy Sector shall be co-ordinated with benefits from National Insurance. Co-ordination regulates the distribution of pensions from National Insurance and public sector pension schemes.

The 85-year rule
The 85 year rule states that persons in the public sector with a special age limit can retire up to three years prior to the age limit if the sum of their age and pension-qualifying service period is 85 years or more.

Definitions and phrases, investment management

Share
Ownership stake in a limited company. Shareholders are not personally liable for the company's obligations. All shares (in the same class) provide equal rights within the company. Through the annual general meeting, the shareholders exercise the highest level of authority in the company.

Asset classes
Various types of securities, such as shares and bonds.

Allocation
The allocation function involves allocating the funds that shall be invested in various markets and asset classes. Tactical asset allocation involves choosing other asset or market schemes than in the benchmark portfolio, with the aim of achieving higher returns.

Bonds hold-to-maturity
These bonds are securities that at the time of investment or reclassification are decided to be held in the portfolio until maturity of the bond (hold to maturity). This means that the return on the bond is known for the entire term. Bonds hold-to-maturity are not booked at the current market value, but any premiums or discounts are amortised evenly over the term of the bond. The return is therefore fixed for the entire term.

Buffer capital
A key figure that is used to describe the risk-bearing capacity. Low buffer capital represents low risk-bearing capacity. The buffer capital consists of other retained earnings, excluding the capital adequacy requirement (see below). The securities adjustment reserve is also included in the buffer capital.

Derivative
A financial contract in which the value depends on the value of an underlying variable at a future date. Options and futures contracts are examples of derivatives.

Equity
The equity in the Pension Scheme for the Pharmacy Sector consists of retained earnings. Retained earnings include the risk equalisation fund and other retained earnings.

Assets under management
The total (accounting) value of the funds that the pension scheme has under management.

Hedge fund
A collective term for securities in which hedge fund managers seek to take positions in different directions to avoid one-sided risk exposure in the portfolio. «Hedging» means to insure against risk, but the aim is also to obtain high returns. The management is often based on utilising various types of inefficiencies in the markets. The funds are generally private and closed, and are not offered to the general public. Thus, have they not been subject to the same level of regulation by the authorities as ordinary securities.

Inflation
Sustained growth in the general level of prices. Inflation is usually measured by the consumer price index (CPI).

Capital adequacy
A ratio that indicates the financial soundness of the pension scheme. There are special rules regarding how the capital adequacy shall be calculated. The capital adequacy requirement is calculated based on the scheme's assets. The capital adequacy requirement must be covered by other retained earnings.

Credit exposure
When bonds (see below) are issued by an issuer other than the state, there is a risk that the issuer will not fulfil the obligations of the loan agreement (credit risk). This risk is priced as an interest premium in connection with the issuance of the bonds (spread). If the issuer's creditworthiness changes during the loan period, this is reflected in the market price of the bond. Exposure to this type of risk for bonds other than government bonds is referred to as credit exposure.

Market risk
Market risk is risk associated with fluctuations in market prices, such as share prices and interest rates.

Bonds
Standardised transferable loans with an original maturity of at least one year. The terms of a bond, such as maturity, interest rate, interest payment dates and any provisions regulating interest rates, are agreed when the loan is issued.

Short-term bonds
For most bonds, the question of whether the bond will continue to be part of the portfolio or not (available for sale) is considered on an on-going basis. The market value of short-term bonds is assessed on an on-going basis, as opposed to long-term bonds (see above).

Options
An option is a common type of derivative. A distinction is made between call options and put options. A call option or put option is a right, but not an obligation, to buy or sell an underlying asset at a pre-determined price. Possible underlying assets include shares, currency and commodity prices.

Portfolio
The aggregate amount of the securities that a fund invests in. The portfolio of the Pension Scheme for the Pharmacy Sector consists of shares, bonds, real estate, money market investments and derivatives.

Benchmark portfolio
A benchmark portfolio is a hypothetical portfolio with a specific composition of securities (e.g. based on bond indices or share indices) which the results of an actual portfolio are measured against.

Reference index
The yield on a benchmark portfolio (see above). For a portfolio consisting of a single asset class, the reference index will typically be a single market index, e.g. for Norwegian shares the Oslo Stock Exchange index.

Risk capacity
An expression for the level of risk (in investments) that is acceptable for å pension fund to have. The risk capacity is determined by the size of the buffer capital (see above).

Solvency II
Solvency II is a European regulatory framework for the insurance industry. Under Solvency II, the size of the capital adequacy requirement is determined by the level of risk the company is exposed to as a whole.

Stress test
Test to measure the effect of predefined market shocks. Examples of possible stress test scenarios are a 30% drop in share price and 2% increase in interest rate.

Exchange rate
The price of a country's currency relative to other countries' currencies, such as the Norwegian Krone per Euro.

Currency exposure
The pension scheme's currency exposure is the sum of the pension scheme's net position in foreign currency. One can talk about currency exposure in general or exposure to a single currency. For example, the pension scheme's dollar exposure is the sum of all the scheme's assets in dollars, less all liabilities in dollars.

Mutual fund
A fund owned by an undefined group of people, in which the funds are mainly invested in securities.

Design: REDINK

The Pension Scheme for the Pharmacy Sector
Managed by the Norwegian Public Service Pension Fund

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