



PENSJONSORDNINGEN  
FOR APOTEKVIKSOMHET



# CONTENTS



04	<b>INTRODUCTION</b>	2016 In brief	4
		About the pension scheme	5
		Key figures	6
08	<b>REPORT OF THE BOARD OF DIRECTORS</b>	Annual report 2016 for the Pension Scheme for the Pharmacy Sector	9
12	<b>ANNUAL FINANCIAL STATEMENTS</b>	Financial statements	13
		Notes	17
25	<b>AUDITOR'S REPORT</b>	Auditor's report	25
26	<b>INSIGHT</b>	Pension liabilities	27
		Investment management	28
		Evaluation of future prospects	30
33	<b>STATISTICS</b>	Statistics	33



# 2016 IN BRIEF

## The pension scheme for the pharmacy sector strengthened its financial position during 2016.

Investment management again delivered a solid result in 2016. Overall return on the pension scheme's funds in 2016 was 4.8 per cent (value-adjusted). All asset classes contributed positively to the return, and real estate investments in particular made a solid contribution to total income. For more information, see page 28.

### Strengthened solidity during 2016

The premium level is set to balance the scheme over a long period, and the premium rate remained unchanged in 2016.

Measures implemented by the Board in previous years to strengthen buffer capital have proved effective. At the end of the year, the buffer capital was more than sufficient to fulfill the capital requirement based on the Financial Supervisory Authority of Norway's stress test using moderate stress factors.

However, continued strengthening of the capital situation is necessary to respond to challenges related to

increased life expectancy, wage fluctuations and stricter statutory capital requirements for pension funds. These factors contribute to increase the cost level for the scheme. At the same time, expectations for the return on investments going forward are moderate. For more information on assessment of future prospects, see page 30.

### Increased pension costs

In 2016, the Pension Scheme for the Pharmacy Sector paid out NOK 290 million in pensions. Last year, pensions were adjusted based on a wage growth factor of 2.78 per cent. Total pension liabilities increased by NOK 345 million. Growth in numbers, both of active members and pensioners, coupled with wage increases and the regulation of pensions being paid contributed to the increase. Read more about the development of pension liabilities on page 27.

The Norwegian parliament decided to reduce the minimum level for membership to 20 per cent of full employment with effect from 1 April 2016. In the autumn of 2016 deferred settlement for disability pensions was paid for the first time after the new disability rules came into effect.



# ABOUT THE PENSION SCHEME

## The Pension Scheme for the Pharmacy Sector manages the pension entitlements of employees in pharmacies in Norway.

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 are both entitled to and obliged to become members of the pension scheme.

Up until 31.03.2016, you had to work at least 15 hours per week to be eligible for the pension scheme (pharmacy technicians had to work at least 13.5 hours per week). The Norwegian Parliament reduced the minimum membership requirement, and as of 01.04.2016 pharmacy employees who have a 20 per cent or higher position, are members of the pension scheme.

In addition to the employees at 868 pharmacies the scheme has members from other businesses which are closely associated with the pharmacy sector and who have applied for membership.

The Pension Scheme for the Pharmacy Sector comprises retirement pensions, contractual pensions (AFP), disability pensions and dependents' pensions. Members can also apply for housing loan. Read more about what the scheme comprises on [www.spk.no/apotek](http://www.spk.no/apotek).

### 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 2016

- Finn Melbø (chairman), CEO of the Norwegian Public Service Pension Fund
- Stein Gjerding, Chief Economist, The Employers' Association Spekter
- Ann Torunn Tallaksen, Chief negotiator, Virke /the Enterprise Federation of Norway (replaced by Trond Teisberg in 2017)
- Renate Messel Hegre, Negotiator, Parat/Norwegian Association of Pharmacy Technicians
- Greta Torbergson, Secretary General of the Norwegian Association of Pharmacists



# KEY FIGURES

## Key figures 2016

		2016	2015	2014
<b>Customers and members</b>				
Pharmacies in the pension scheme	Number	868	834	800
Members	Number	20 288	19 711	18 789
Actively-employed members*	Number	7 645	7 585	7 422
Pensioners*	Number	5 121	4 951	4 600
Persons with entitlements from previous positions**	Number	7 522	7 175	6 767
<b>Occupational pensions</b>				
Accrued pension entitlements	Thousand NOK	6 989 457	6 644 037	6 478 203
Pension premium	Thousand NOK	648 380	639 870	593 186
Pensions paid	Thousand NOK	290 277	279 046	264 356
<b>Investment management</b>				
Funds in the Pharmacy scheme	Million NOK	8 500	7 800	7 300
Annual return	Per cent	4.8	2.4	7

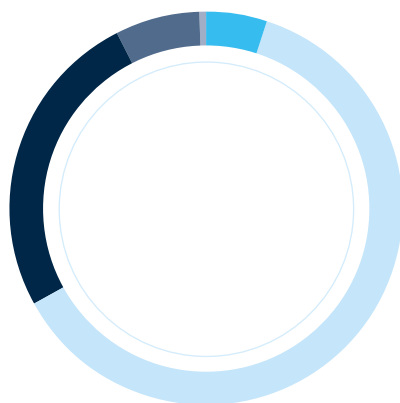
\* The number stated is the number of policies. A member can have more than one policy. For example, a member who receives a partial disability pension from the pension scheme and works partly in an active position will have two policies which correspond to the two positions respectively.

\*\* 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).



## PENSION

### Accrued pension entitlements



- AFP (current AFP)
- Retirement pension
- Disability pension
- Spouse pension
- Children's pension

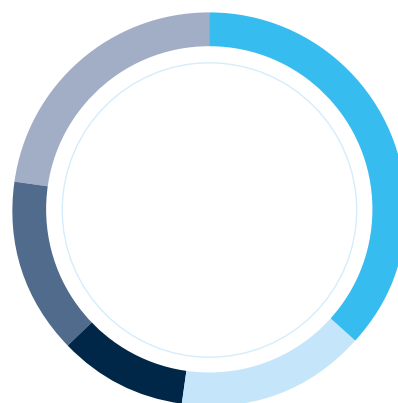
#### Accrued pension entitlements (in NOK thousand)

AFP (current AFP)	121 724
Retirement pension	5 607 337
Children's pension	14 225
Spouse pension	405 157
Disability pension	841 014
<b>Total</b>	<b>6 989 457</b>

Accrued pension entitlements in the scheme increased by NOK 345 million from 31.12.2015 to 31.12.2016. Retirement pensions comprise 80 per cent of the total accrued entitlements of NOK 6,989 million.

## ACTIVELY EMPLOYED MEMBERS

### Actively-employed members by employers



- Apotek 1
- Boots apotek
- Independens pharmacies
- Hospital pharmacies
- Vitusapotek

#### Actively-employed members by employers

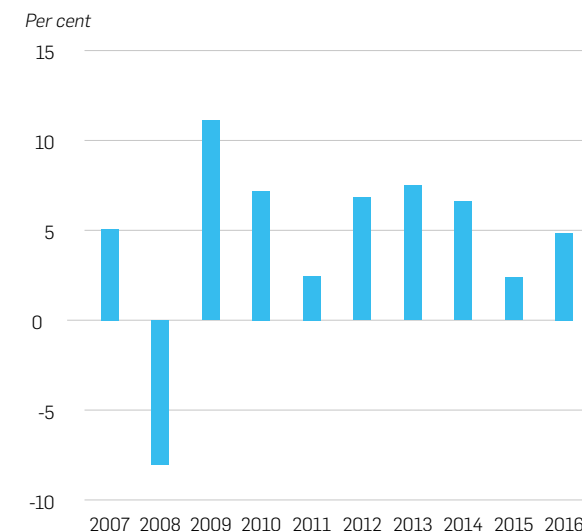
	Apotek 1	Boots	Independens pharmacies	Hospital pharmacies	Vitus
Women	2 544	1 072	630	975	1 539
Men	268	129	170	127	191
<b>Total</b>	<b>2 812</b>	<b>1 201</b>	<b>800</b>	<b>1 102</b>	<b>1 730</b>

The table shows active members employment by pharmacy retailer, and in total for the independent pharmacies, specified by gender.

[More statistics: see page 33](#)

## INVESTMENT MANAGEMENT

### Annual return



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

Investment management resulted in a value-adjusted return of 4.8 per cent in 2016. The average return for the 10-year period has been 4.6 per cent.

[Read more on page 28](#)



# ANNUAL REPORT







# ANNUAL REPORT 2016

## FOR THE PENSION SCHEME FOR THE PHARMACY SECTOR

In 2016 the Pension Scheme for the Pharmacy Sector achieved a result of NOK 502 million. The time-weighted return for the portfolio was 4.8%. The solidity of the Pension Scheme for the Pharmacy Sector strengthened during 2016.

The Pension Scheme for the Pharmacy Sector is managed by the Norwegian Public Service Pension Fund, Oslo. At the end of 2016 the pension scheme had three male employees. All the employees are investment managers. Ongoing 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 of 31.12.2016 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 Enterprise Federation of Norway (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 57 items of business.

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

### Members, contributions and benefit payments

At year's end 2016, employees at 868 pharmacies were members of the pension scheme. This is an increase of 34 pharmacies from 2015. The pension scheme also includes members who are not pharmacy employees, but works in other positions associated with the pharmacy sector. The fund had totally 7 645 actively contributing members, as well as 5 121 current pensioners. In 2016, NOK 628 million was paid in premiums, compared to NOK 643 million in 2015. In addition, NOK 290 million was paid in pensions, compared to NOK 279 million in 2015. Invoiced but not paid premiums constituted a total of NOK 172 million at the turn of the year.

The premium rate was 18.1 per cent in 2016. 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 2016 the pensions were adjusted based on a factor of 2.78 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 2.01 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 of 31.12.2016, the proportion of shares, equity funds and hedge funds comprised 12% of total assets. This proportion has almost halved compared with 2015. In the opinion of the Board, the scheme's investment strategy and authorization structure provide a good level of control over the management of the scheme's assets.

Some bonds classified as hold-to-maturity matured in 2016. At year-end, the portfolio of long-term bonds represents 15 per cent of total assets. This proportion has increased by 50 per cent compared with the previous year. Current returns from this portfolio are around 4.2%.

### 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 timeframe. Generally speaking, therefore, capital should be invested with a long-term perspective.



The technical settlement for 2016 is based on the K2005 life expectancy tariff with a basic interest rate of 3%. A 15% safety margin supplement for mortality related to the K2005 tariff is included. The assumption for rates of disability is based on K1963, boosted by a factor of 2.5.

### Result

The result for the year shows a profit of NOK 502 million. Net profits related to financial assets stood at NOK 386 million. This includes changes in unrealized gains and losses. All asset classes have contributed positively to the return for 2016 as a whole.

Withdrawal have been made for unrealized price gains of NOK 143 million from the securities adjustment reserve in 2016. This has increased the profit for 2016 accordingly.

In 2016 a total increase in pension liabilities (the premium reserve) of NOK 345 million was recorded. 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 502 million will be allocated to other retained earnings.

### Financial position

As at 31.12.2016 the Pension Scheme for Pharmacy Sector had total capital of NOK 8 756 million. Approximately 70% of total capital was placed in bonds and bond funds, 12% in shares, equity funds, hedge funds

and special funds, 10% in property and real estate, 1% in loans and 3% in bank deposits, while other items account for 4% of the total.

Up to 31.12.2015, the minimum capital requirement for pension funds was the highest of the capital adequacy requirement and the solvency margin requirement. From 1.1.2016 the capital adequacy requirement was withdrawn so that the minimum capital requirement will now meet the solvency margin requirement.

As of 31.12.2016 other retained earnings totalled NOK 1 302 million. This is an increase of NOK 502 million from 2015. The pension scheme calculates the solvency margin requirement based on the rules that apply to private pension funds. As of 31.12.2016, the calculated solvency margin requirement totalled NOK 244 million. The solvency margin requirement must be covered by other retained earnings.

The scheme's free equity consists of other retained earnings in excess of the solvency margin requirement. Free equity totalled NOK 1 058 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 12.1% of total balance value. At the end of 2015, the scheme's free equity consisted of other retained earnings in excess of the capital adequacy requirement. Free equity totalled NOK 375 million at the end of 2015. This is equivalent to 4.7% of total balance value.

As of 31.12.2016, NOK 351 million in net unrealized 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 based on similar rules applying to private pension funds. The stress tests demonstrate the scheme's ability to bear losses without this threatening the ordinary operations of the scheme.

The actuarial provisions also show an increase in 2016. The new mortality tariff (K2013) resulting from the increase in life expectancy will further increase the provisions required. New regulations for disability pension were introduced on 01.01.2015. In connection with this, premium reserve was released and used for provisions for increased longevity and expected increased capital requirements as a result of the new capital requirements for pension funds.

Buffer capital was strengthened during 2016. The return on the securities portfolio, together with measures previously adopted by the Board with regard to premiums, contributed to this increase. The return (time-weighted) of 4.8 per cent in 2016 is better than the comparable reference index, and also better than the assumptions at the beginning of the year.

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 enables 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 of 31.12.2016 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 2016 and the scheme's financial position at year-end.

The buffer capital was strengthened during the year and as at 31.12.2016 meets capital requirements based on the Financial Supervisory Authority of Norway's stress

tests with moderate stress factors. The test, whereby buffer capital is measured against extreme stress factors, also showed a satisfactory financial position.

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 securing a satisfactory financial position for the pension scheme in the future may prove challenging.

The Board is of the opinion that the financial position at the end of the year is satisfactory. Together with the adopted investment strategy, the Board 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, 05 April 2017

Finn Melbø (Chairman)

Stein Gjerding

Trond Teisberg

Greta Torbergson

Renate Messel Hegre

A decorative graphic on the left side of the slide, featuring a series of concentric white arcs on a light blue background. The arcs are of varying lengths and are arranged in a way that they appear to be part of a larger circular structure, possibly representing a stylized 'C' or a series of orbits.

# **ANNUAL FINANCIAL STATEMENTS**







# Income statement 2016

	Note	2016	2015
<b>TECHNICAL ACCOUNT</b>			
<b>Premium income</b>			
Premium income	15	648 380 407	639 869 838
<b>Net income from investments in the collective portfolio</b>			
Interest income and dividends, etc. from financial assets		161 413 082	164 052 489
Net operating income from real estate fund		46 844 245	48 446 124
Value adjustments on investments		-144 223 417	69 795 523
Realized profit and loss on investments		304 895 222	-112 230 003
<b>Total net income from investments in the collective portfolio</b>	19	<b>368 929 133</b>	<b>170 064 133</b>
<b>Insurance benefits</b>			
Pensions paid	16	290 277 056	279 046 259
<b>Recognized changes in insurance liabilities</b>			
Change in premium reserve	11	345 419 000	165 822 000
Change in exceptional liabilities		0	0
Change in securities adjustment reserve		-143 026 860	68 852 273
<b>Total recognized changes in insurance liabilities</b>	20	<b>202 392 140</b>	<b>234 674 273</b>
<b>Insurance-related operating costs</b>			
Administrative costs	17	23 843 031	25 160 937
Insurance-related administrative costs	18	16 378 856	15 262 395
<b>Total insurance-related operating costs</b>		<b>40 221 887</b>	<b>40 423 332</b>
<b>Technical result</b>		<b>484 418 457</b>	<b>255 790 107</b>

	Note	2016	2015
<b>NON-TECHNICAL ACCOUNT</b>			
<b>Net income from investments in company portfolio</b>			
Interest income and dividends, etc. from financial assets		7 580 474	5 948 100
Net operating income from real estate fund		2 199 956	1 756 525
Value adjustments on investments		-6 773 193	2 530 597
Realized profit and loss on investments		14 318 854	-4 069 156
<b>Total net income from investments in the company portfolio</b>	19	<b>17 326 092</b>	<b>6 166 066</b>
<b>Other income</b>			
Interest income on bank deposits, operations		982 490	754 966
<b>Administrative costs and other costs linked to the company portfolio</b>			
Administrative costs	17	1 037 383	867 891
<b>Non-technical result</b>		<b>17 271 199</b>	<b>6 053 141</b>
<b>Total result</b>		<b>501 689 656</b>	<b>261 843 248</b>
<b>Transfers and allocations</b>			
Allocated to/transferred from(-) other retained earnings	12, 13, 20	501 689 656	261 843 248
<b>Total allocations</b>		<b>501 689 656</b>	<b>261 843 248</b>



## Balance sheet / Assets

	Note	31.12.2016	31.12.2015
<b>ASSETS IN COMPANY PORTFOLIO</b>			
<b>INVESTMENTS</b>			
<b>Financial assets valued at amortized cost</b>			
Bonds classified as hold-to-maturity	2	31 640 070	28 303 765
Housing and business loans	3	2 722 644	4 751 222
<b>Total financial assets valued at amortized cost</b>		<b>34 362 714</b>	<b>33 054 988</b>
<b>Financial assets at fair value</b>			
Shares and mutual funds	4, 7	46 217 284	95 421 722
Bonds	5, 7	119 685 130	143 736 817
Financial derivatives	6, 7	0	0
Bank deposits		7 298 873	1 559 960
<b>Total financial assets at fair value</b>		<b>173 201 288</b>	<b>240 718 499</b>
<b>Total investments in company portfolio</b>		<b>207 564 001</b>	<b>273 773 486</b>
<b>Receivables</b>			
Account receivables	9	173 112 502	149 291 979
Receivables from brokers		172 858 000	0
<b>Total receivables</b>		<b>345 970 502</b>	<b>149 291 979</b>
<b>Other assets</b>			
Bank deposits, operations	8	8 918 698	39 645 723
<b>Prepaid expenses and accrued income</b>			
Accrued non-invoiced premiums		5 550 000	9 054 430
Accrued dividends		4 395 702	5 956 609
Prepaid expenses		48 960	48 760
<b>Total prepaid expenses and accrued income not received</b>		<b>9 994 662</b>	<b>15 059 799</b>
<b>Total assets in company portfolio</b>		<b>572 447 864</b>	<b>477 770 988</b>

	Note	31.12.2016	31.12.2015
<b>ASSETS IN CLIENT PORTFOLIOS</b>			
<b>INVESTMENTS IN COLLECTIVE PORTFOLIO</b>			
<b>Financial assets valued at amortized cost</b>			
Bonds classified as hold-to-maturity	2	1 247 395 954	779 046 119
Housing and business loans	3	107 339 053	130 774 872
<b>Total financial assets valued at amortized cost</b>		<b>1 354 735 007</b>	<b>909 820 991</b>
<b>Financial assets at fair value</b>			
Shares and mutual funds	4, 7	1 822 096 282	2 626 432 253
Bonds	5, 7	4 718 534 050	3 956 279 595
Financial derivatives	6, 7	0	0
Bank deposits		287 754 893	42 937 061
<b>Total financial assets at fair value</b>		<b>6 828 385 225</b>	<b>6 625 648 908</b>
<b>Total investments in collective portfolio</b>		<b>8 183 120 231</b>	<b>7 535 469 900</b>
<b>Total assets in client portfolios</b>		<b>8 183 120 231</b>	<b>7 535 469 900</b>
<b>Total assets</b>		<b>8 755 568 095</b>	<b>8 013 240 887</b>

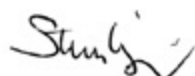


## Balance sheet / Equity and liabilities

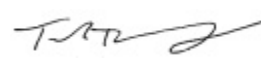
	Note	31.12.2016	31.12.2015
<b>Retained earnings</b>			
Other retained earnings	10, 12	1 302 333 398	800 643 742
<b>Total retained earnings</b>	10, 13, 14	<b>1 302 333 398</b>	<b>800 643 742</b>
<b>Insurance liabilities</b>			
Premium reserve	11	6 989 457 000	6 644 038 000
Securities adjustment reserve		350 619 013	493 645 873
<b>Total insurance liabilities</b>		<b>7 340 076 013</b>	<b>7 137 683 873</b>
<b>LIABILITIES IN COMPANY PORTFOLIO</b>			
<b>Financial liabilities measured at fair value</b>			
Financial derivatives	6	<b>513 748</b>	<b>2 171 539</b>
<b>Accrued expenses and prepaid income</b>			
Accrued expenses		<b>2 639 957</b>	<b>3 576 488</b>
<b>Other short-term liabilities</b>			
Liabilities to broker		<b>80 000 000</b>	<b>0</b>
<b>LIABILITIES IN CLIENT PORTFOLIOS</b>			
<b>Financial liabilities measured at fair value</b>			
Financial derivatives	6	<b>20 254 275</b>	<b>59 770 462</b>
<b>Accrued expenses and prepaid income</b>			
Accrued expenses		<b>9 750 705</b>	<b>9 394 782</b>
<b>Total equity and liabilities</b>		<b>8 755 568 095</b>	<b>8 013 240 887</b>

Oslo, 5 April 2017

  
Finn Melbø (chairman)

  
Stein Gjerding

  
Greta Torbergsen

  
Trond Teisberg

  
Renate Messel Hegre



# Cash flow statement

(Figures in whole NOK)	2016	2015
<b>Cash flow from operations</b>		
Member contributions	628 176 577	642 897 782
Bank interest	1 209 577	1 339 451
Interest income on loans	2 855 148	4 487 971
Interest on bonds/certificates	152 444 528	150 462 240
Dividends	13 406 789	14 256 587
Other income	255 083	1 111 050
<b>Total</b>	<b>798 347 702</b>	<b>814 555 081</b>
Financial expenses paid	-4 486 687	-5 060 404
Pensions paid	-290 277 056	-279 046 259
Administrative expenses	-38 930 948	-36 521 334
Change in accounts payable	46 270	102 156
Changes in other liabilities	79 373 121	850 526
<b>Total</b>	<b>-254 275 300</b>	<b>-319 675 314</b>
<b>Total cash flow from operations</b>	<b>544 072 403</b>	<b>494 879 766</b>
<b>Cash flow from investments</b>		
Net realized losses/gains on shares/derivatives/hedge funds	319 876 201	-120 284 668
Net realized losses/gains on bonds/certificates	-662 124	4 542 017
Net realized returns on real estate fund	49 044 201	50 202 650
Net change in loans	25 239 924	45 323 387
Net losses on loans	0	0
Net change in real estate fund	138 140 122	-62 019 127
Net change in securities	-683 828 443	-395 209 246
Net change in other receivables	-172 052 562	25 425 651
<b>Total cash flow from investments</b>	<b>-324 242 682</b>	<b>-452 019 336</b>

(Figures in whole NOK)	2016	2015
<b>Cash flow from financing activities</b>		
Paid in capital	0	0
<b>Total cash flow from financing activities</b>	<b>0</b>	<b>0</b>
<b>Net cash flow for the period</b>	<b>219 829 721</b>	<b>42 860 430</b>
Cash and cash equivalents 01.01.	84 142 743	41 282 313
Cash and cash equivalents 31.12.	303 972 464	84 142 743
<b>Net change cash and cash equivalents</b>	<b>219 829 721</b>	<b>42 860 430</b>





# Notes

## Note 1 | Accounting principles

Wherever possible the annual financial statements have been prepared in accordance with the Regulation of 20.12.2011 on annual financial statements etc. for pension companies and with the Norwegian Accounting Act that came into force on 01.01.1999.

### Pension premiums

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

### Interest income

Interest is recorded as income as it accrues.

### Financial assets valued at amortized cost

Bonds classified as held-to-maturity are valued at cost price, adjusted for recognized premium/discount. The premium/discount at the acquisition date is recognized in the income statement spread over the bond's remaining life.

Housing and business loans are recorded at par value as of 31.12.2016.

### Financial assets at fair value

#### *Shares and mutual funds*

Investments in shares and mutual funds are booked at fair value as of 31.12.2016. Changes in value are recognized in the income statement. Fair value is equivalent to the market value as of 31.12.2016. Market value is based on the last official trade in 2016.

Shares in the real estate fund are included in shares and mutual funds. Shares are valued at the market value as of 31.12.2016. The market value is based on independent valuations of the properties.

Shares in the infrastructure fund and hedge fund are also included in shares and mutual funds. The funds has calculated the value of the shares as at 31.12.2016 as per the industry standard.

### Bonds

Investments in bonds are booked at fair value as of 31.12.2016. Changes in value are recognized in the income statement. Fair value is equivalent to the market value as of 31.12.2016. Market value is equivalent to the tax assessment value for 2016.

### Financial derivatives

Foreign currency forward contracts and options are booked at fair value as of 31.12.2016. Fair value is equivalent to the market value as of 31.12.2016.

Securities valued at fair value are considered a single portfolio. The unrealized gain or loss in the portfolio is designated as the difference between the total acquisition cost and the total market value. Any net unrealized gain in the portfolio is allocated to the securities adjustment reserve. Any net unrealized loss in the portfolio is recognized 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 of 31.12.2016.

### 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 of 31.12.2016. Accordingly, account has been taken of all potential pension benefits provided for in the Act on the pension scheme for the phar-

macy 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 as per the balance sheet date (31.12.2016). This calculation has been carried out using standardized 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 in the case of longevity risk and mortality for mortality risk are based on the basis elements in K2005. Mortality in the case of longevity risk was also strengthened with a 15% safety margin for both genders.

The assumption for rates of disability are 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 solvency margin requirement. The solvency margin requirement is described in more detail in Note 14. Other retained earnings in excess of the solvency margin requirement/minimum capital 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 and par value
Government-guaranteed	100 000	90 490	97 194	108 540	2 806
Banking/finance	275 000	271 128	274 653	281 069	347
Municipality/county	25 000	23 835	23 932	24 282	1 068
Industry	596 308	597 701	597 559	605 794	-1 251
Energy	265 000	267 238	266 987	274 078	-1 987

<b>Bonds classified as hold-to-maturity:</b>	<b>1 261 308</b>	<b>1 250 392</b>	<b>1 260 325</b>	<b>1 293 763</b>	<b>983</b>
Interest earned			18 711	18 711	
<b>Total book value</b>	<b>1 261 308</b>	<b>1 250 392</b>	<b>1 279 036</b>	<b>1 312 474</b>	<b>983</b>

Book value 1.1.2016:	807 350
Additions 2016:	529 220
Disposals 2016:	-62 257
Accrued premium/discount for the year:	163
Change in accrued interest 2016:	4 560
<b>Book value 31.12.2016:</b>	<b>1 279 036</b>

Proportion of above in the collective portfolio	1 247 396
Proportion of above in the company portfolio	31 640

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 4.2%. The average yield is calculated on the average yield for each bond. The average yield is weighted in relation to the relevant security's cost price and totalled. The difference between book and par value is recognized 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 31.12.2016. Past lending losses have been extremely small. Hence, no allowances are made for possible loan losses.

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 of 31.12.2016, since the number of claims and the sums relating to them have been low in recent years.

Specification of the loan portfolio:

	Housing loans	Government-guaranteed debenture loans	Total
Number	177	2	179
Amount	109 222 814	838 883	110 061 697
Proportion of above in the collective portfolio:	107 339 053		
Proportion of above in the company portfolio:	2 722 644		

The interest rate for housing loans was 2.20% as of 31.12.2016. For Government-guaranteed debenture loans the interest rate was 2.70%.

Losses etc. on loans	2016	2015	2014	2013	2012
Principal written off	0	0	354	0	0
Principal written off, credit insurance	0	0	0	27 290	0
Interest written off	0	0	0	0	0
Interest written off, credit insurance	0	0	0	152	0
Previous payments written off	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>354</b>	<b>27 442</b>	<b>0</b>



## Note 4 | Shares/fund shares

### Shares listed on the Oslo Stock Exchange

Company	Cost price	Book value
Af Gruppen Ord	10 547 855	19 646 993
Aker	12 197 908	19 703 000
Austevoll Seafood	4 372 904	6 700 000
Borregaard Asa	12 981 119	28 848 723
Dnb Asa	6 963 357	12 937 584
Ekornes Asa	11 622 586	14 350 130
Entra Asa	9 143 085	11 015 274
Europris Asa	13 500 000	11 070 000
Gjensidige Forsikring Asa	9 758 068	13 700 000
Hexagon Composites	11 104 490	12 426 563
Idex Asa	5 440 636	5 592 000
Kongsberg Gruppen Asa	14 423 016	14 420 835
Marine Harvest Asa	5 605 447	13 236 057
Nordic Vlsi	10 057 852	9 301 500
Norwegian Air Shuttle	9 719 553	11 319 854
Pioneer Property Group Asa	12 500 000	12 000 000
Ringerike Sparebank	6 493 537	7 310 816
Skandiabanken Asa	9 061 226	14 050 000
Solstad Offshore Asa Class B	6 500 000	1 237 107
Sparebanken Vest	6 763 850	8 648 112
Statoil Asa	6 391 308	7 289 093
Thin Film Electronics	4 692 000	4 392 000
Vistin Pharma As	8 601 415	12 000 000
Xxl Asa	14 826 479	17 640 000
<b>Total Norwegian shares</b>	<b>223 267 691</b>	<b>288 835 638</b>
Asetek As	5 000 000	26 750 000
Autoliv Inc	14 622 959	14 639 748
Bakkafrost	1 718 430	6 856 000
Dsv As	10 684 064	10 757 705
Ericsson Lm-B	11 913 632	7 618 935
Hoegh Lng Holdings Ltd	13 688 611	14 243 400
Huhtamaki Oyj	12 528 210	12 182 932

Company	Cost price	Book value
Kone Oyj-B	9 550 494	9 671 265
Novo Nordisk As-B	17 348 470	11 834 992
Subsea 7 S.A ( Tidli Acergy S.A. )	10 621 200	10 930 000
<b>Total foreign shares</b>	<b>107 676 071</b>	<b>125 484 978</b>

<b>Total shares listed on the Oslo Stock Exchange</b>	<b>330 943 762</b>	<b>414 320 616</b>
---	--------------------	--------------------

### Equity funds

Fund	Cost price	Book value
BlackRock World Index Fund	262 350 878	520 363 597
<b>Total foreign equity funds</b>	<b>262 350 878</b>	<b>520 363 597</b>

### Hedge funds/Special funds

Fund	Cost price	Book value
Archmore Infrastructure Debt Platform SCA	33 574 935	34 954 500
Axonic Systematic Arbitrage Overseas Fund	1 259 910	1 508 151
Canyon Balanced Ltd A Initial	42 027	43 723
Certificates Credit Suisse Guernsey branch	384 783	471 888
Gottex Market Neutral Fund	417 019	627 097
Gottex Market Neutral Plus Fund	440 913	478 730
GSS Offshore SPC - Ellington SPC	476 612	601 740
MidOcean Credit Opportunity Offshore Fund Ltd.	1 590 513	1 640 388
Nipun Asia Total Return Offshore Fund Ltd	1 819 001	2 055 089
OM Arbea Fund Limited Class E	45 757	53 895
PanAgora Div. Arb. Off. B	698 248	799 835
QVT Offshore Ltd. 1	3 460 663	4 706 570
QVT Roiv Hldgs Offshore Ltd. A	764 298	768 308
Sector Healthcare Fund Class A	20 402 707	42 799 101
WAF Offshore Fund Ltd. Class C	565 498	587 318
Waterfall Eden C2	13 903 792	14 968 218
<b>Total foreign hedge funds/special funds</b>	<b>79 846 674</b>	<b>107 064 550</b>



#### Real estate funds

Fund	Cost price	Book value
Aberdeen Eiendomsfond Norge I AS	3 175 833	3 257 945
Aberdeen Eiendomsfond Norge I IS	306 296 790	322 531 642
Pareto Eiendomsfelleskap AS/IS	453 822 502	500 775 215
<b>Total real estate funds</b>	<b>763 295 125</b>	<b>826 564 801</b>
<b>Total shares and mutual funds</b>	<b>1 436 436 439</b>	<b>1 868 313 566</b>
<b>Proportion of above in collective portfolio</b>	<b>1 400 902 687</b>	<b>1 822 096 282</b>
<b>Proportion of above in company portfolio</b>	<b>35 533 752</b>	<b>46 217 284</b>

The portfolio of individual shares consists of shares listed on the Oslo Stock Exchange, or which are expected to list within six months, as well as Nordic shares listed on the Copenhagen-, Stockholm or Helsinki stock exchanges and which are included in the VINX benchmark index. 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.

The Black Rock World Index Subfund reflects the MSCI World Index and accordingly has approximately the same risk profile as this.

Investments in hedge funds consisted of 14 different funds at the beginning of the year. Hedge fund exposure has been significantly reduced during the year after the management agreement with Gottex Fund Management was concluded in July. The reference index for the hedge fund investments for 2016 has been the Global Hedge Fund Index as for previous years. The overall risk profile for hedge fund investments is expected to remain significantly lower than the risk profile for investments in shares.

From January 2015 the Pension Scheme for the Pharmacy Sector has invested a small proportion of capital in Archmore Infrastructure Debt Platform. This fund invests in infrastructure. The investment is classified as a special fund.

Real estate investments consist of holdings in Aberdeen Eiendomsfond Norge I IS/AS and Pareto Eiendomsfelleskap AS/IS. These investments are booked at market value as of 31.12.2016. Market value of the investments is based on independent valuations of the properties.

Book value of real estate investments as of 31.12.2016 (in NOK 1 000):

	2016	2015	2014	2013	2012
Opening balance	937 384	858 515	609 043	514 961	446 935
Purchases during the year at acquisition cost	0	62 019	237 349	120 679	78 244
Disposals during the year at disposal cost	-138 140	0	0	-23 179	-6 450
Adjustments in value during the financial year	27 321	16 850	12 123	-3 418	-3 768
<b>Closing balance</b>	<b>826 565</b>	<b>937 384</b>	<b>858 515</b>	<b>609 043</b>	<b>514 961</b>
Proportion of above in the collective portfolio	806 118	904 522	826 073	582 236	490 958
Proportion of above in the company portfolio	20 447	32 862	32 442	26 807	24 003

Pareto Eiendomsfelleskap AS/IS is structured as two companies – Pareto Eiendomsfelleskap IS and Pareto Eiendomsfelleskap AS – with the latter company being the principal shareholder in the former. The investment in Pareto Eiendomsfelleskap 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 Eiendomsfelleskap, 79% comprise real estate in Greater Oslo, 12% comprise real estate in other parts of eastern Norway while 9% comprise real estate in Vestfold county. 66 per cent of the total investments is in buildings relating to warehousing/logistics, 19 per cent is in buildings related terminals/logistics and the remaining investments in buildings relating to trade. The average time remaining on lease agreements for properties in the portfolio fell during 2016 from 9.1 years to 8.7 years. At year-end 2016 gross rents for properties in the portfolio amounted to NOK 154.5 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, 53% comprise real estate in Oslo, 15% in Trondheim, 7% in Bergen, 4% in Stavanger and 21% in other municipalities. The portfolio comprises of 27 properties. The average time remaining on lease agreements for properties in the portfolio at the end of 2016 is 5.3 years, a slight increase compared with the end of 2015. In 2016 gross rents for properties in the portfolio amounted to NOK 438 million.

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





## Note 5 | Bonds

Issuer	Cost price	Market value	Unrealized gains
Banking and finance	1 379 781 398	1 377 442 412	-2 338 986
Municipality/county	1 411 154 330	1 415 352 000	4 197 670
Government-guaranteed	202 380 909	205 579 000	3 198 091
Industry	1 062 871 628	1 014 511 197	-48 360 431
Energy	572 567 500	577 739 700	5 172 200
Subordinated loans	228 032 500	226 849 000	-1 183 500
<b>Total interest-bearing securities classified as financial current assets</b>	<b>4 856 788 265</b>	<b>4 817 473 309</b>	<b>-39 314 956</b>
Interest earned		20 745 871	
<b>Total</b>	<b>4 856 788 265</b>	<b>4 838 219 180</b>	
Proportion of above in the collective portfolio		4 718 534 050	
Proportion of above in the company portfolio		119 685 130	

The interest-bearing securities portfolio classified as a financial current asset and 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 eight securities nominated in USD, three nominated in SEK and one security nominated in EUR. The current effective rate of interest for variable interest securities is approximately 1.6% and for fixed interest securities is currently approximately 2.1%. 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-standardized derivatives ("over-the-counter derivatives"/"OTC derivatives") may only be employed for hedging purposes. However this does not apply to Norwegian FRA.

As of 31.12.2016, investments were held in the following derivatives:

	Nominal amount in NOK	Fair value in NOK
<b>Forward currency contracts:</b>		
EUR	-194 824 145	-194 972 108
USD	-555 569 407	-578 293 695
SEK	-74 731 116	-77 170 636
DKK	-24 284 000	-24 535 785
NOK	849 408 668	849 408 668
<b>Total forward currency contracts</b>	<b>0</b>	<b>-25 563 556</b>
<b>Equity derivatives:</b>		
S&P put options	-178 341 984	4 795 533
<b>Total equity derivatives</b>	<b>-178 341 984</b>	<b>4 795 533</b>
<b>Total derivatives recognized in the balance sheet</b>	<b>-178 341 984</b>	<b>-20 768 023</b>
Proportion of above in the collective portfolio (liabilities)		-20 254 275
Proportion of above in the company portfolio (liabilities)		-513 748

During 2016, investments in foreign shares have been regularly hedged through the use of options. Hedging arrangements have been recognized in the financial statements for 2016 at around NOK 8.9 million net. In addition, share futures and share options as well as some bond futures were also traded in 2016. Derivatives have been used in an effective manner to adjust equity exposure and interest rate terms.



## 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. Such classification gives an indication of the relative uncertainty related to measurement of the different levels.

The Act defines three calculation levels for how fair value is measured:

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:

	31.12.2016	Level 1	Level 2	Level 3
Shares and mutual funds	1 868 313 566	414 320 617	520 363 597	933 629 352
Bonds	4 838 219 180		4 838 219 180	
Financial derivatives	-20 768 022		-20 768 022	
<b>Total</b>	<b>6 685 764 724</b>	<b>414 320 617</b>	<b>5 337 814 755</b>	<b>933 629 352</b>

## Note 8 | Bank deposits

Of bank deposits related to operations of NOK 8 918 698 as of 31.12.2016, NOK 293 958 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 of 31.12.2016 there are no such locked-in bank deposits.

## Note 9 | Accounts receivables - losses on accounts receivables

Accounts receivables has a book value of NOK 173 112 502 and consists of:

	31.12.2016	31.12.2015
Accounts receivables related to premium income:	172 337 458	148 629 198
Accounts receivables related to loans:	775 044	662 781
Provision for potential loss:	0	0
<b>Total accounts receivables:</b>	<b>173 112 502</b>	<b>149 291 979</b>

Accounts receivables are recorded at par value as at 31.12.2016.

Recorded losses on receivables were as follows:

	2016	2015
Realized loss on receivables:	0	68 976
Change in provision for potential loss:	0	0
<b>Recorded loss on receivables:</b>	<b>0</b>	<b>68 976</b>

## Note 10 | 10 Other retained earnings

As at 31.12.2016, other retained earnings totalled NOK 1 302 million. Other retained earnings and the securities adjustment fund together constitute the scheme's excess capital.

The pension scheme has calculated the solvency margin requirement using rules similar to those applicable to private pension funds in accordance with the administrative regulations from the Ministry of Labour with effect from 2011. The solvency margin requirement calculated as of 31.12.2016 is NOK 244 408 738 (see calculation in note 14 below).

The solvency margin requirement must be covered by other retained earnings. Other retained earnings less the solvency margin requirement, but with the addition of the securities adjustment fund, total NOK 1 408 543 673. 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 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%. Mortality in the case of longevity risk is also strengthened with a 15% safety margin for both genders.

The assumption for rates of disability are 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 pensioners, 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 result for the year

This year's profit of NOK 501 689 656 will be allocated to other retained earnings.

Other retained earnings totalled NOK 1 302 333 398 as at 31.12.2016. Other retained earnings and the securities adjustment fund together constitute the scheme's excess capital.

### Note 13 | Specification of changes in retained earnings

As of 31.12.2016 retained earnings total NOK 1 302 333 398. The change in retained earnings in 2016 may be specified as follows:

Retained earnings as at 31.12.2015	800 643 742
+ Net profit for the year allocated to other retained earnings	501 689 656
<b>= Retained earnings as at 31.12.2016</b>	<b>1 302 333 398</b>

### Note 14 | 14 Calculation of the solvency margin requirement

Up to 31.12.2015, the minimum capital requirement for pension funds was the highest of the capital adequacy requirement and the solvency margin requirement. From 1.1.2016, the capital adequacy requirement was withdrawn so that the minimum capital requirement shall now meet the solvency margin requirement.

As of 31.12.2016 the solvency margin requirement was calculated to total NOK 244 408 738. Similarly the capital adequacy requirement as at 31.12.2015 was calculated to total NOK 426 354 619.

The basis for the calculation of the solvency margin requirement as of 31.12.2016 was as follows:

	Beregnings- grunnlag	Beregnings- faktor	Beregnet solvens- marginkrav
Premium reserve old age pension:	5 729 061 438	4.00%	229 162 458
Mortality risk (uncovered risk, gross):	180 839 249	0.30%	542 518
Disability pension and premium exemptions (average gross compensation costs 2014 – 2016):	56 552 932	26.00%	14 703 762
<b>Total solvency margin requirement as of 31.12.2016:</b>			<b>244 408 738</b>



### Note 15 | Premium contributions

Members contributed premium income totalling NOK 628 176 577 in 2016. By comparison, the book value of premium income was NOK 648 380 407. In 2015 members contributed NOK 642 897 782 in premiums, while the book value of premium income was NOK 639 869 838. 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 609 486 represents write-offs of pension benefit overpayments. The corresponding figure for 2015 was NOK 790 278.

### Note 17 | Administrative costs

Total administration costs came to NOK 24 880 414. The pension scheme has had three employees throughout 2016. Pay and social expenses for these three investment managers totalled NOK 8 826 746 in 2016 and are included in administrative costs.

### Note 18 | 18 Insurance-related administrative expenses

The pension scheme is managed by the Norwegian Public Service Pension Fund. In 2016 NOK 15 041 742 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. Furthermore, NOK 271 625 was charged against income for audit services including value added tax. The entire amount was related to standard audit services. NOK 322 721 was charged against income for remuneration to board members. The costs of carrying out payments amount to NOK 623 960, while various other costs and cost reimbursements amount to NOK 118 808. The total insurance-related administrative costs comprise NOK 16 378 856.

In 2016 the following remuneration was paid to the Board members of the scheme:

Finn Melbø (chairman)	65 544
Stein Gjerding	63 878
Renate Messel Hegre	58 879
Ann Torunn Tallaksen	62 211
Greta Torbergsen	65 544
Kjell Morten Aune (deputy)	4 999
Kristin Juliussen (deputy)	1 666
<b>Total</b>	<b>322 721</b>

### Note 19 | 19 Return on capital

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

Year:	2016	2015	2014	2013	2012
Return stated as% (value-adjusted):	4.83	2.37	6.61	7.55	6.60
Return stated as% (recorded):	6.48	1.38	4.47*	4.63	4.35

\* Corrected in connection with the 2015 annual financial statements

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.

### Note 20 | Analysis of result

Changes in pension plan:	0,00 MNOK
Yield result <sup>1)</sup>	187,37 MNOK
Risk result <sup>2)</sup>	0,80 MNOK
Other result <sup>3)</sup>	170,50 MNOK
Administration result:	0,00 MNOK
<b>Insurance result:</b>	<b>358,67 MNOK</b>

1) The interest result is the difference between the actual return and the calculation rate in the premium reserve.

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, as well as mortality cross-subsidy. Risk expenses are supplemented by provisions for risk events.

3) Recognized difference between invoiced and actual calculated premium. A negative result indicates the receipt of insufficient premium income.





# Auditor's report



Statsautoriserte revisorer  
Ernst & Young AS  
Dronning Eufemias gate 6, NO-0191 Oslo  
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA  
Tlf: +47 24 00 24 00  
Faks: +47 24 00 24 01  
www.ey.no  
Medlemmer av Den norske Revisorforening

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of The Pension Scheme for the Pharmacy Sector, which comprise the balance sheet as at 31 December 2016, the income statement and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Pension fund as at 31 December 2016 and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

Other information consists of the information included in the Pension fund's annual report other than the financial statements and our auditor's report thereon. The Board of Directors (management) is responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Pension fund or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material

A member firm of Ernst & Young Global Limited



misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Pension fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Pension fund to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### 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 Board of Directors' report concerning the financial statements, the going concern assumption and 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 management has fulfilled its duty to ensure that the Pension fund's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 6 April 2017  
ERNST & YOUNG AS

Knut Aker  
State Authorised Public Accountant (Norway)

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

Independent auditor's report - The Pension Scheme for the Pharmacy Sector

A member firm of Ernst & Young Global Limited



**INSIGHT**





# PENSION LIABILITIES

The actuarial provisions in the Pension Scheme for the Pharmacy Sector increased by NOK 345 million in 2016. As of 31.12.2016, the premium reserve was estimated to be NOK 6 989 million.

The premium reserve is defined as the present value of accrued pension rights as of the balance sheet date. The present value is obtained by discounting the expected future pension payments using a calculation rate of 3 per cent.

The following factors are also considered:

- (i) probability of survival and receiving a retirement pension,
- (ii) probability of becoming incapacitated for work and receiving a disability pension, and
- (iii) probability of dying and leaving family members who are entitled to a spouse or children's pension.

In 2016, no changes have been made to the actuarial requirements. This means that the calculations have been carried out using the mortality tariff K2005, strengthened with a 15 per cent safety margin for both sexes, and the K1963 disability tariff strengthened by 250 per cent.

The calculation rate, one year's earnings for active and regulation of the pension basis or pension benefits, help to build up the premium reserve. On the other hand, pension payments reduce the premium reserve.

## Insurance result

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

### Interest result – NOK 187.4 million

Interest income is clearly positive, which means that the return (4.8 per cent) on the pension assets is clearly higher than the calculation rate (3.0 per cent) in the premium reserve. The size of the pension funds is currently also significantly higher than the premium reserve.

### Risk result – NOK 0.8 million

The risk result is close to zero, but positive. This entails that the risk premiums paid into joint risks throughout the year are enough to cover the year's risk pensions.

### Other result – NOK 170.5 million

The other result is positive. This is the difference between the premiums charged to the pension scheme throughout the year and the actually calculated premium calculated in the Norwegian Public Service Pension Fund insurance system. The invoiced premium is calculated on the basis of a fixed percentage (18.1 per cent) of the pension basis. Actuarially calculated premiums are updated continuously throughout the

year as a result of changes to members' pension rights. There was moderate wage growth as well as regulation of pensions and the National Insurance base amount in 2016. These are all factors that affect the premium.

## Assessment of the current financial situation

It is assumed that the pension scheme remains operational as long as there are liabilities related to the members registered at the balance sheet date. In a pension scheme such as the Pension Scheme for the Pharmacy Sector, where the liabilities as a whole are to be secured through the accumulation of funds, the value of the funds allocated to pension payment should at least correspond to the size of the insurance provisions in order to ensure a reasonable level of coverage in the scheme. This is in line with the requirements of similar private schemes that are covered by the Insurance Activities Act.

Given the assumptions on which the premium reserve is based, the scheme was overfunded by NOK 1 653 million as of 31 December 2016. Overfunding has doubled over the last three years. The primary contributors to solid overfunding are rising premium income and a good return. The premium rate of 18.1 per cent will help the pension fund to continue building the necessary buffer so that it is better able to meet new capital requirements for pension funds. The financial situation in the pension fund is considered to be satisfactory given the current overfunding, premium rate and solvency rules.

# INVESTMENT MANAGEMENT

Investment management delivered a value-adjusted return of 4.8 per cent in 2016. Funds under management increased by almost NOK 700 million during the year, and totalled NOK 8.5 billion at the end of December.

Investment management activities of the Pension Scheme for the Pharmacy Sector are intended to help the scheme meet its long-term commitments without incurring excessive fluctuations in the premium. The aim is achieving the highest possible return within the scheme's available risk capacity. Available risk capacity is determined based on the probability of being able to maintain continued normal operations.

The Pension Scheme for the Pharmacy Sector's investment strategy has been adopted by the Board of Directors. The strategy stipulates that the chosen investment portfolio must have a risk profile for which there is at least a 99 per cent probability of meeting the legally-required equity requirement. 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

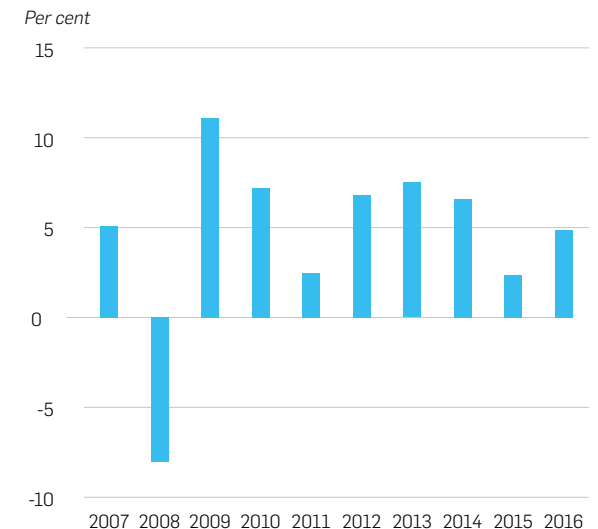
Investment management again delivered a solid return in 2016. The overall return on the pension scheme's funds for 2016 was 4.83 per cent (value-adjusted). The time-weighted return was 4.81 per cent.

All asset classes in which the Pension Scheme for the Pharmacy Sector has been invested throughout the year contributed positively to profits. Real estate investments delivered exceptionally well with a return of just under ten per cent, accounting for over twenty per cent of total income. After a slightly weak start to the year, stock markets recovered during the second quarter, and stocks contributed positively to the return for the year as a whole. Available-for-sale and long-term bonds both also contributed positively to overall profits for 2016.

Asset class:	Weight 31.12.2016	Rate of return
Interest-bearing investments (available-for-sale)	57.1%	3.6%
Interest-bearing investments (hold-to-maturity)	15.1%	4.4%
Shares	11.1%	7.3%
Real estate	9.7%	9.9%
Hedge funds/Special funds	1.3%	5.8%
Loans to members	1.3%	1.9%
Bank deposits, derivatives	4.4%	

Fluctuations in returns are entirely normal and to be expected for an investment portfolio with a moderate

## Annual return





level of risk, such as the Pension Scheme for the Pharmacy Sector. The figure on the right shows the annual time-weighted return for the pension scheme's funds for the last 10 years. As shown in the figure, the Pension Scheme for the Pharmacy Sector 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 is 4.6 per cent.

### Asset allocation

At the end of 2016, the pension scheme managed funds totalling NOK 8 479 million. This is an increase of NOK 683 million throughout the year. Assets under management are still expected to grow throughout 2017 as a result of excess liquidity in the scheme.

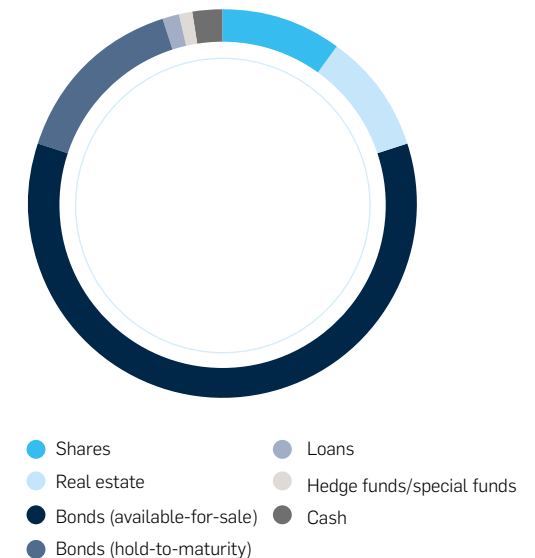
Investment management has a continuous focus on identifying the investment opportunities offering optimum utilization of the risk capacity of the Pension Scheme for the Pharmacy Sector. In recent years it has been necessary to take a different approach to find assets that give good returns for moderate risk.

During 2016, exposure to long-term bonds has increased, and equity management has been revised somewhat to further reduce the concentration risk for Norwegian individual companies and sectors. The allocation to hedgefunds has been significantly reduced due to the termination of an asset management agreement with an external hedge fund manager.

In the investment plan for 2017, the Board, in accordance with management's recommendation, adopted a moderate reduction in the risk level of the scheme. The reason for the proposal was that management found that there seems to be somewhat less upside in taking financial risk in the future compared to previously. However, the risk level in 2017 still provides enough scope to maintain risk exposure to a wide range of asset classes.

The figure on the right shows strategic allocations in the various asset classes at the beginning of 2017.

### Strategic allocation in various asset classes





# EVALUATION OF FUTURE PROSPECTS

Proposals for new and stricter management and capital requirements as well as expectations of moderate returns on pension funds, coupled with increased in longevity of the population, mean that Norwegian pension funds face a challenging period.

Management of the Pension Scheme for the Pharmacy Sector is carried out in accordance with the the Act on the Pension Scheme for the Pharmacy Sector with related administrative regulations. The applicable regulations are from 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. The rules for insurance and pensions are bound by EU regulations relating to this area and are undergoing change.

## Different rules for insurance companies and pension funds

In Norway, life insurance companies and pension funds have historically been subject to similar business rules. However, after the Financial Undertakings Act came into force on 01.01.2016, the rules on capital requirements and the detailed regulation of investments

diverged. The Financial Undertakings Act incorporated the Solvency II rules for insurance companies. In this context, risk-based capital requirements were introduced, while the capital adequacy rules<sup>1</sup> and the detailed investment constraints previously contained in the capital management regulations were withdrawn.

Pension funds are not subject to the Solvency II regulations, but have a separate set of rules (IORP). A draft new directive (IORP II) was adopted by the EU in November 2016. The rules introduce significantly stricter qualitative requirements for management, control and risk assessment, while instructing the member states to loosen detailed regulation regarding investment activities. The IORP II regulatory framework does not contain specific capital requirements for pension funds beyond the Solvency I Rules, but allows the Member States to choose to introduce stricter capital requirements.

## New capital requirements for pension funds submitted for consultation

In 2016, the Ministry of Finance submitted a proposal for consultation that the pension funds in Norway – in line with the insurance companies – should also be subject to Solvency-based capital requirements from 01.01.2018. The basis for the proposal was consideration of a level playing field and anxiety about increased risk taking by pension funds.

The proposed capital requirements are close to current stress test requirements (Stress Test I), but with some simplifications/adaptations. Furthermore, a transitional period of 14 years is proposed to implement the effect of the transition to fair value in assessing insurance liabilities. There has been massive resistance in the industry to the submitted consultation proposal.

At the same time, The European Insurance and Occupational Pensions Authority (EIOPA) has indicated that it does not expect Solvency II– based binding capital requirements for European pension funds in the near future. However, EIOPA proposes inter alia to use Solvency II-based stress tests as supervisory tools, as the Financial Supervisory Authority of Norway has practised recently, and to increase the standards for disclosure requirements in notes to the financial statements.

## The Pension Scheme for the Pharmacy Sector: Comprehensive risk consideration

Back in 2009 the Pension Scheme for the Pharmacy Sector adopted an investment strategy based on uniform consideration of risk, where the risk level for investments is set based on financial goals for the scheme as a whole.

Moreover, for several years the Pension Scheme for the Pharmacy Sector has emphasized that capital management should, as far as possible, comply with govern-

<sup>1</sup> The capital adequacy rules prescribed minimum capital requirements based on the composition of the investments.

ment-imposed requirements for management and control. Among other things, we have been conducting stress tests based on the Financial Supervisory Authority of Norway's methodology and are well equipped to meet future regulatory requirements for the industry.

At the end of 2016, the Pension Scheme for the Pharmacy Sector had a buffer capital utilisation rate of 86 per cent based on the Financial Supervisory Authority of Norway's Stress Test I. This shows that the scheme will be well within the new capital requirements at the end of the year, even when we consider proposed adjustments and transition effects.

#### **Increased reporting and collateral requirements for securities trading**

Regulatory changes for securities trading are also on the way. These are changes that may result in increased trading and administration costs for the pension plans in the long term. The European Market Infrastructure Regulation (EMIR), which deals with requirements for reconciliation, reporting and collateral for trading of unlisted derivatives, is expected to be implemented in Norway from 2017 onwards. Next year, the new MIFID rules (Markets in Financial Instruments Directive) are also expected to increase reporting and transparency requirements for securities trading.

#### **Challenges facing the pension funds**

Recent years have been challenging for providers of defined benefit pension schemes. Norwegian interest rates have remained low since the financial crisis of

2008. In addition, Norwegian wage growth has been high for several years compared with other countries. This has led to pension liabilities growing much faster than pension funds in recent years. Persistently low interest rate levels mean that expectations for yield on investments in the future are moderate.

In assessing the recognised insurance liabilities, it is assumed that the pension scheme remains operational as long as there are liabilities related to the members registered at the balance sheet date. In a pension scheme such as the Pension Scheme for the Pharmacy Sector, where the liabilities as a whole are to be secured through the accumulation of funds, the value of the funds allocated to pensions (assets) should at least correspond to the size of the insurance provisions in order to ensure a reasonable level of coverage in the scheme. This is in line with the requirements of similar private schemes that are covered by the Insurance Activities Act.

In recent years the stipulated Norwegian interest rate curve for the 16-17-year perspective was well under 3 per cent, which is the basis interest rate used by the Pension Scheme for the Pharmacy Sector. This has a significant impact on the market valuation of insurance liabilities, because the market value of liabilities is much higher than the book value. Available equity is thus reduced in Solvency II-based stress tests.

Due to the increased life expectancy in Norway, the Financial Supervisory Authority of Norway has decided that, from 2014, new mortality rates (K2013) for

collective pension insurance schemes in life insurance companies and pension funds should be introduced. The financial services industry has been given 7 years to increase provisions, starting in 2014.

Continuous assessments are made as to whether the Pension Scheme for the Pharmacy Sector should make provisions in accordance with K2013, even though the pension fund is not directly subject to the Financial Supervisory Authority of Norway, and the effect depends on a regulatory framework for life expectancy adjustment of the younger age groups, which is currently unknown. Calculations carried out on the current situation, however, show very small changes by introducing K2013 while also making adjustments to life expectancy for younger age groups according to the forecasts from NAV. However, actuaries have considered it appropriate to use released provisions after changing to a new disability pension in 2015 to cover an expected increased life expectancy in the pension scheme.



# STATISTICS





# Statistics

## MEMBERS

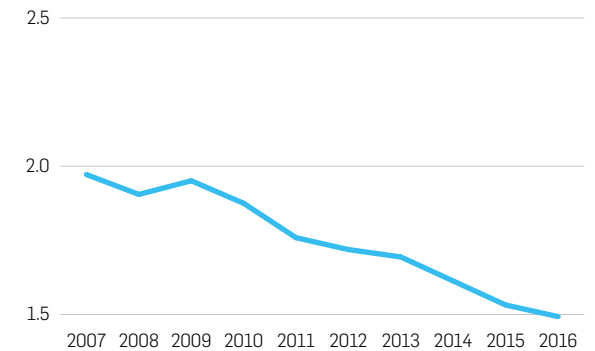
Members	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actively-employed	6 215	6 308	6 515	6 561	6 689	7 125	7 274	7 422	7 585	7 645
Deferred*	6 005	5 673	5 783	6 093	6 245	6 386	6 564	6 767	7 175	7 522
Pensioners	3 152	3 312	3 339	3 499	3 803	4 144	4 295	4 600	4 951	5 121
AFP	175	201	191	267	282	295	312	310	293	269
Retirement pension	1518	1601	1611	1668	1825	2088	2202	2513	2955	3165
Disability pension	1135	1163	1185	1217	1367	1401	1422	1415	1335	1309
Spouse pension	30	323	325	323	306	336	338	343	342	352
Children's pension	294	24	27	24	23	24	21	19	26	26
Ratio actively-employed/pensioners	1.972	1.905	1.951	1.875	1.759	1.719	1.694	1.613	1.532	1.493

\* 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. This is called a deferred pension. In the private sector, the term "paid-up policy" is used.

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 two positions.

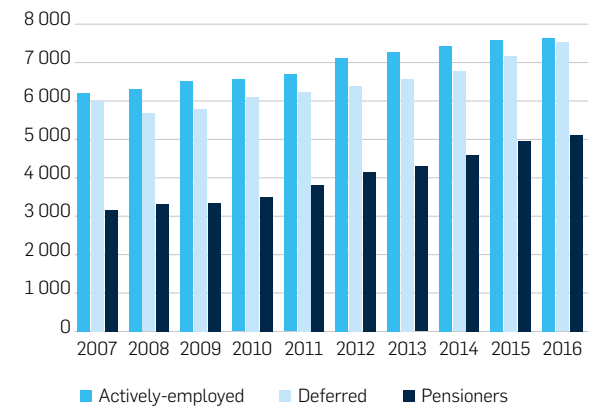
The graph above to the right shows the development of the ratio of active members to pensioners in the scheme from 2007 to 2016. In 2007 there were almost 2 active members per pensioner in the scheme, while at the end of 2016 the ratio is 1.5 active members per pensioner. A declining trend, as evidenced 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.

## Ratio actively-employed/pensioners



The graph shows the development of the ratio of active members to pensioners in the scheme over the last decade.

## Development in number of members





## Active members

### Active members by position

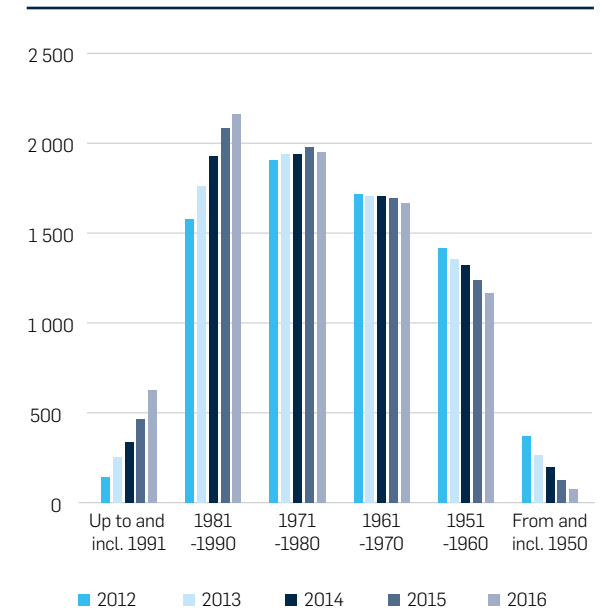
Members	2012	2013	2014	2015	2016		Total	Change 2015-2016
					Women	Men		
Dispensing pharmacist	205	243	295	305	204	127	331	26
Pharmacy manager	915	871	928	988	792	210	1 002	14
Pharmacist	214	223	206	222	202	28	230	8
Dispensing technician	1 274	1 293	1 308	1 374	1 297	132	1 429	55
Laboratory assistant	6	6	6	6	5	1	6	-
Pharmacy technician	3 746	3 841	3 844	3 892	3 679	119	3 798	-94
Office employee	215	220	194	192	134	77	211	19
Messenger, driver	9	11	11	11	0	6	6	-5
Cleaner	48	40	32	24	25	2	27	3
Manager	77	108	133	124	96	33	129	5
Operating concession holder	391	399	376	408	278	139	417	9
Miscellaneous	25	19	89	39	48	11	59	20
<b>Total</b>	<b>7 125</b>	<b>7 274</b>	<b>7 422</b>	<b>7 585</b>	<b>6 760</b>	<b>885</b>	<b>7 645</b>	<b>60</b>

The table shows active members in different positions, specified by gender. The last column shows the change from 2015 to 2016.

### Active members by year of birth

Members	2012	2013	2014	2015	2016		Total	Change 2015-2016
					Women	Men		
Up to and incl. 1991	142	252	337	467	564	62	626	159
1981-1990	1 575	1 760	1 926	2 083	1 845	314	2 159	76
1971-1980	1 904	1 938	1 936	1 975	1 699	250	1 949	-26
1961-1970	1 717	1 704	1 703	1 696	1 527	140	1 667	-29
1951-1960	1 418	1 354	1 320	1 237	1 059	108	1 167	-70
From and incl. 1950	369	266	200	127	66	11	77	-50
<b>Total</b>	<b>7 125</b>	<b>7 274</b>	<b>7 422</b>	<b>7 585</b>	<b>6 760</b>	<b>885</b>	<b>7 645</b>	<b>60</b>

### Active members by year of birth



The table to the left and the graph above shows the last five years development in the number of actively-employed members of the pension scheme by year of birth. The older age groups move out of the scheme, while the younger ones enter it.





## Pensioners

Type of pension	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Change (2007-2016)
AFP	175	201	191	267	282	295	312	310	293	269	54%
Retirement pension	1518	1601	1611	1668	1825	2088	2202	2513	2955	3165	108%
Disability pension	1135	1163	1185	1217	1367	1401	1422	1415	1335	1309	15%
Spouse pension	294	323	325	323	306	336	338	343	342	352	20%
Children's pension	30	24	27	24	23	24	21	19	26	26	-13%
<b>Total</b>	<b>3 152</b>	<b>3 312</b>	<b>3 339</b>	<b>3 499</b>	<b>3 803</b>	<b>4 144</b>	<b>4 295</b>	<b>4 600</b>	<b>4 951</b>	<b>5 121</b>	<b>62%</b>

The table shows the development in the number of pensioners from 2007 until today. The Change column shows the change from 2007 to 2016.

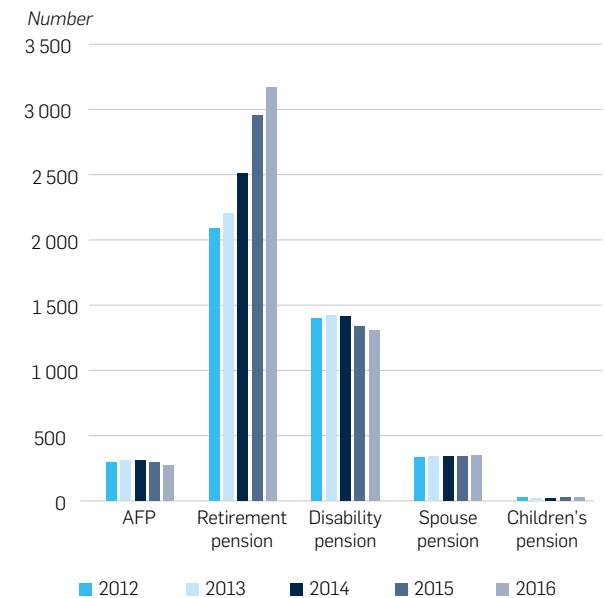
## Retirement pensioners by age limit upon drawing of pensions

Age limit	2012			2013			2014			2015			2016		
	Men	Women	Total	Men	Women	SUM	Men	Women	Total	Men	Women	SUM	Men	Women	Total
65 years	1	241	242	1	229	230	1	208	209	1	200	201	0	181	181
68 years	96	1 399	1 495	106	1 491	1 597	123	1 697	1 820	140	1 979	2 119	173	2 125	2 298
70 years	146	500	646	143	544	687	157	637	794	176	752	928	155	800	955
<b>Total</b>	<b>243</b>	<b>2 140</b>	<b>2 383</b>	<b>250</b>	<b>2 264</b>	<b>2 514</b>	<b>281</b>	<b>2 542</b>	<b>2 823</b>	<b>317</b>	<b>2 931</b>	<b>3 248</b>	<b>328</b>	<b>3 106</b>	<b>3 434</b>

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.

## Pensions



The diagram shows that the development in the number of pensioners increases steadily. It is the number of retirement pensioners that increases, while the number of pensioners drawing contractual pension (AFP), disability pension, spouse pension and children's pension remained stable.

## Disability pensioner's degree of disability

Degree of disability	2012	2013	2014	2015	2016
<=25%	79	72	106	132	91
26–50%	199	184	244	363	219
51–75%	27	23	27	82	14
76–99%	8	7	1	32	0
100%	1 088	1 136	1 037	726	985
<b>Total</b>	<b>1 401</b>	<b>1 422</b>	<b>1 415</b>	<b>1 335</b>	<b>1 309</b>

The table shows the total number of disability pensioners by degree of disability for the years 2012–2016.

## Pensions paid 2016

Type of pension		Gross paid	%	Coordination deduction	%	Net paid	%
<b>Retirement and AFP pension</b>	Men	76 821 660	12.66%	48 374 467	15.29%	28 447 193	9.80%
	Women	436 789 632	71.99%	249 754 697	78.93%	187 034 935	64.43%
	<b>Total</b>	<b>513 611 292</b>	<b>84.66%</b>	<b>298 129 164</b>	<b>94.22%</b>	<b>215 482 128</b>	<b>74.23%</b>
<b>Disability pension</b>	Men	3 776 244	0.62%	216 232	0.07%	3 560 012	1.23%
	Women	54 169 488	8.93%	983 697	0.31%	53 185 791	18.32%
	<b>Total</b>	<b>57 945 732</b>	<b>9.55%</b>	<b>1 199 929</b>	<b>0.38%</b>	<b>56 745 803</b>	<b>19.55%</b>
<b>Spouse pension</b>	Men	14 787 720	2.44%	7 362 277	2.33%	7 425 443	2.56%
	Women	19 223 904	3.17%	9 741 578	3.08%	9 482 326	3.27%
	<b>Total</b>	<b>34 011 624</b>	<b>5.61%</b>	<b>17 103 855</b>	<b>5.41%</b>	<b>16 907 769</b>	<b>5.82%</b>
<b>Children's pension</b>	Men	640 248	0.11%	-	0.00%	640 248	0.22%
	Women	501 108	0.08%	-	0.00%	501 108	0.17%
	<b>Total</b>	<b>1 141 356</b>	<b>0.19%</b>	<b>-</b>	<b>0.00%</b>	<b>1 141 356</b>	<b>0.39%</b>
<b>All pensions</b>	Men	96 025 872	15.83%	55 952 976	17.68%	40 072 896	13.81%
	Women	510 684 132	84.17%	260 479 972	82.32%	250 204 160	86.19%
	<b>Total</b>	<b>606 710 004</b>	<b>100.00%</b>	<b>316 432 948</b>	<b>100.00%</b>	<b>290 277 056</b>	<b>100.00%</b>

The table shows the amount of pension benefit payments made in 2016, 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.

## Degree of disability



The figure shows the disability pensioners' various degrees of disability as a percentage of all disability pensioners. Almost 3 out of 4 who receive disability pension from the scheme, is 100 per cent disabled.

