

2020

Annual Report



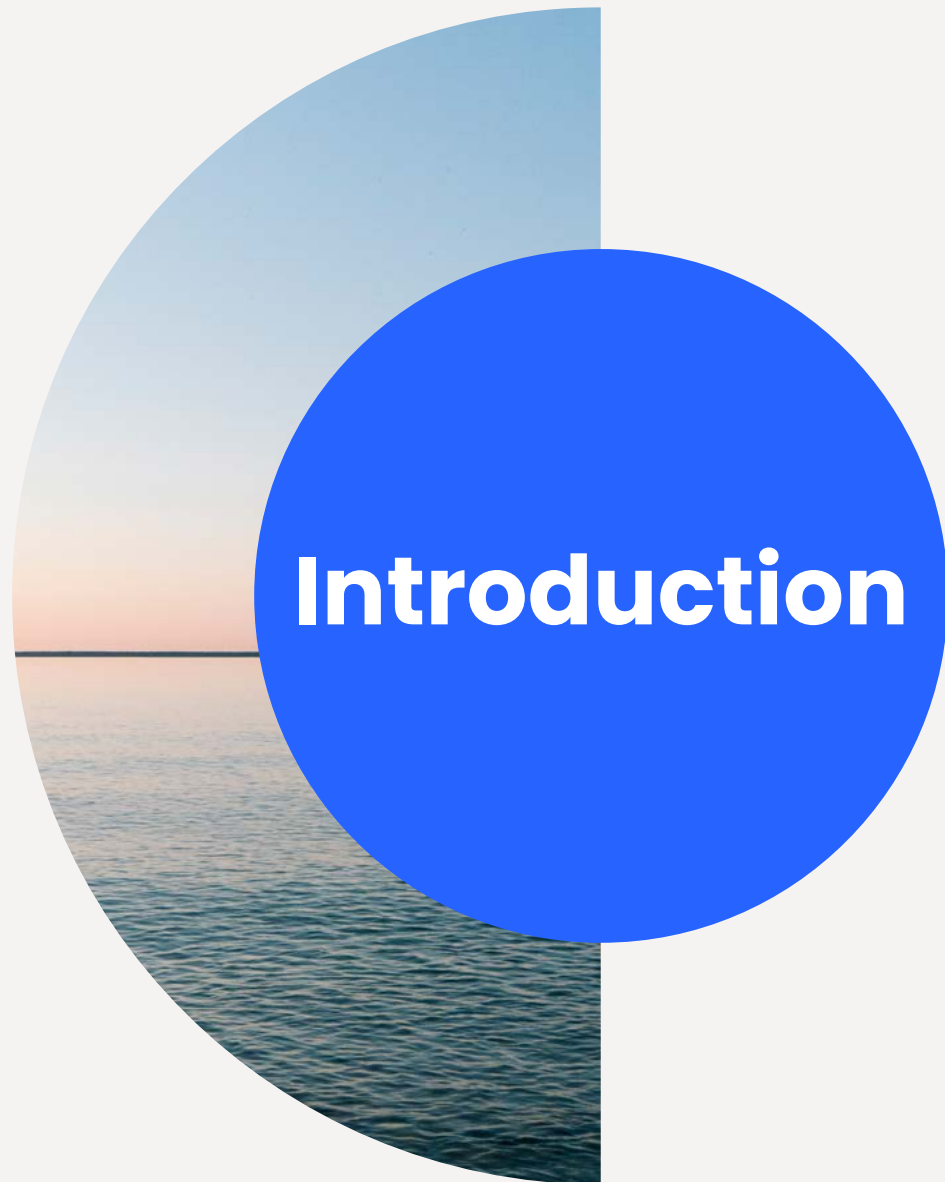
PENSJONSORDNINGEN
FOR APOTEKVIKSOMHET





Contents

Introduction	About the pension scheme	4
	Key Figures	5
Board of Directors' Report	Annual Report 2020	8
Financial Statements and Notes	Financial Statements 2020	12
	Notes	16
Auditor's Report	Audit Report	25
Insight	Pension Liabilities	28
	Investment Management	30
Statistics	Statistics	33



Introduction

About the pension scheme

The Pension Scheme for the Pharmacy Sector (POA) manages the pension entitlements of pharmacy employees in Norway.

The Pension Scheme for the Pharmacy Sector was established in 1953 and is a statutory collective pension scheme. This means that eligible dispensing pharmacists and permanent employees in pharmacies are both entitled to and obliged to become members of the pension scheme. In addition to the employees at 988 pharmacies, the scheme has members from other businesses that are closely associated with the pharmacy sector, and whose employers have specifically applied for membership.

Administration

The Norwegian 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 Norwegian 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 members' employers' associations and

the employee unions. Two of the appointed members represent employers, while pharmacists and technical personnel are each represented by one Board member.

Board of Directors 2020

- Chair: Tomas Berg – CEO of the Norwegian Public Service Pension Fund (as from 1 May 2020)
- Kristin Juliussen – Director of Research and Analysis at the Employers' Association Spekter
- Trond A. Teisberg – Chief Negotiator at the Federation of Norwegian Enterprise (Virke)
- Kjell Morten Aune – Special Adviser at Parat/Norwegian Association of Pharmacy Technicians
- Greta Torbergsen – Secretary General of the Norwegian Association of Pharmacists

Pension benefits

The Pension Scheme for the Pharmacy Sector comprises retirement pensions, contractual pensions (AFP), and disability pensions. Upon the death of a member, dependents may be entitled to dependents' pensions. Members can also apply for housing loans.

The retirement pension in the scheme is a defined-benefit pension. The total retirement pension from the Norwegian National Insurance Scheme and POA constitutes 66 per cent of the pension basis on full qualification (360 months), before life expectancy adjustment. The life expectancy adjustment may result in a pension lower than 66 per cent. The annual cohorts up to and including 1958 have an individual guarantee that nevertheless ensures 66 per cent of the pension basis at the age of

67 after 30 years of qualification, subject to certain conditions. The 1959-1962 annual cohorts also have an individual guarantee, but for these cohorts the guarantee supplement is gradually reduced.

The pension basis is maximised to ten times the basic amount of the Norwegian National Insurance Scheme. The pension is coordinated with the Norwegian National Insurance Scheme (gross pension). More information about the various benefits can be found at: spk.no/apotekordningen

The Pension Scheme for the Pharmacy Sector is a statutory collective pension scheme and the regulations are closely linked to public service pensions. As from 1 January 2020, the Storting has adopted a new model for public service pensions for the annual cohorts as from 1963, but POA is not subject to these regulatory adjustments. The current pension scheme for pharmacy employees will continue until the employer and employee sides have reached agreement on a new pension model.

Key figures

Key figures 2020

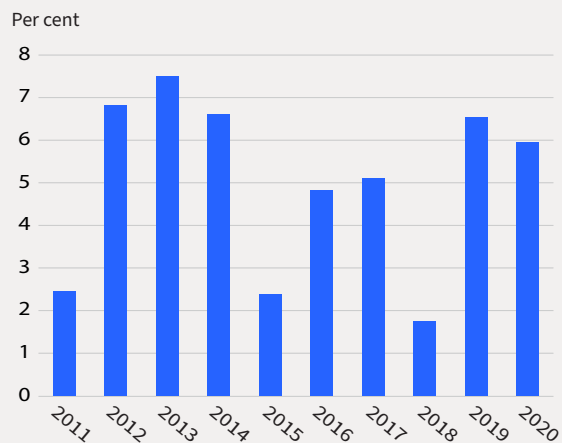
		2020	2019	2018
Customers and members:				
Employers in the pension scheme (number of pharmacies)	Number	988	960	934
Members	Number	23,606	22,321	21,375
Actively-employed members*	Number	8,380	7,812	7,527
Pensioners*	Number	6,030	5,739	5,517
Persons with entitlements from previous positions**	Number	9,196	8,770	8,331
Occupational pensions				
Accrued pension entitlements	NOK thousand	8,553,217	8,087,737	7,656,872
Pension premium	NOK thousand	771,483	767,634	693,130
Pensions paid	NOK thousand	353,169	337,619	314,773
Investment management				
Funds in the Pharmacy Scheme	NOK million	11,900	10,807	9,800
Annual return on funds (value-adjusted)	Per cent	6.0	6.5	1.8

* 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

** No longer work in an organisation linked to POA, but have pension entitlements with us

Investment management

Annual return



The figure shows the annual returns for the Pension Scheme for the Pharmacy Sector for the last 10 years.

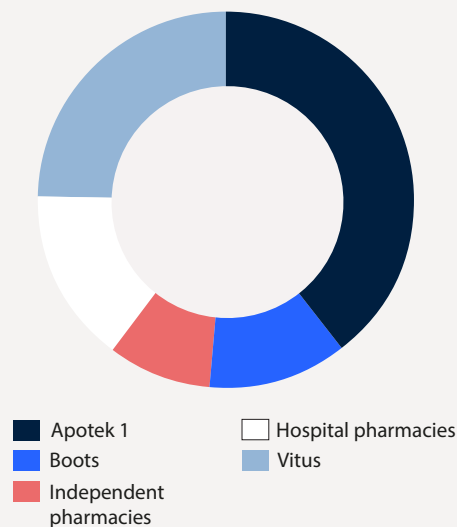
The assets of the Pension Scheme for the Pharmacy Sector are invested in available-for-sale and hold-to-maturity bonds, Norwegian shares, real estate, foreign equity funds, speciality funds and loans to members.

Investment management resulted in a value-adjusted return of 5.96 per cent in 2020. The average return for the past ten-year period has been 4.99 per cent.

[Read more on page 30.](#)

Actively-employed members

Actively-employed members by employers



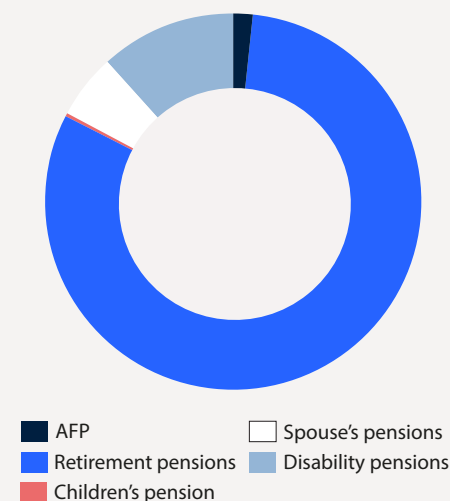
Actively employed	Apotek 1	Boots	Independent pharmacies	Hospital pharmacies	Vitus
Women	2,937	889	577	1,101	1,781
Men	387	111	162	164	271
Total	3,324	1,000	739	1,265	2,052
Change from 2019	398	-101	50	73	148

The table shows the number of active members per employer chain, in total and by gender.

[For more statistics, see page 33.](#)

Pension

Accrued pension entitlements





**Board
of Directors'
Report**

Annual Report 2020

for the Pension Scheme for the Pharmacy Sector

The Pension Scheme for the Pharmacy Sector achieved a profit of NOK 252 million in 2020. The time-weighted return on the total portfolio was 6.0 per cent. The solvency of the Pension Scheme for the Pharmacy Sector improved during 2020.

Organisation

The Pension Scheme for the Pharmacy Sector is managed by the Norwegian Public Service Pension Fund, Oslo. At the end of 2020, the pension scheme had three permanent employees. All employees are investment managers, and all are men. Ongoing follow-up of the employees is carried out by the Norwegian Public Service Pension Fund.

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

The Board members are appointed by the Norwegian Ministry of Labour and Social Affairs. The Board of Directors is headed by the CEO of the Norwegian Public Service Pension Fund. The other Board members represent the Federation of Norwegian Enterprise (Virke), the Employers' Association Spekter, the Norwegian Association of Pharmacists and the Norwegian Association of Pharmacy Technicians. As at 31 December 2020 the Board had five members: two women and three men. During

the year the Board of the pension scheme held six Board meetings and dealt with 44 items of business.

Sustainability/Corporate Social Responsibility

The pension scheme has guidelines for sustainable investments which entail applying principles for active ownership and the exclusion of companies to the funds managed internally.

No investments may be made in, or loans extended to, companies that are in infringement of conduct or product criteria set by the Board of Directors. The exclusion criteria are mainly based on the criteria for exclusion of companies from the portfolio of the Government Pension Fund Global (GPF). POA relies on GPF's and KLP's exclusion lists. In overall terms, these two exclusion lists cover POA's investment universe.

For external management mandates, the manager is required to have explicit, formalised and transparent ESG processes.

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

Members, contributions and benefit payments

At year-end 2020, employees at 988 pharmacies were members of the pension scheme. This is an increase by 28 pharmacies from 2019. The pension scheme also includes members who are not pharmacy employees, but who

work in other positions associated with the pharmacy sector. At year-end, the fund had a total of 8,380 actively contributing members and 6,030 current pensioners.

Employees at pharmacies have mandatory membership of the pension scheme according to the more detailed provisions provided in the Act on the Pension Scheme for the Pharmacy Sector. Employees in other positions related to the pharmacy sector can apply for membership and can also apply for withdrawal.

In 2020, NOK 794 million was paid in premiums, compared with NOK 723 million in 2019. In addition, NOK 353 million was paid in pensions, compared with NOK 338 million in 2019. Invoiced, but not paid, premiums totalled NOK 183 million at year-end.

The premium rate was 18.1 per cent in 2020. The premium is divided between employees and employers. Employees paid a premium of 3.4 per cent of the contribution base, while employers paid a premium of 14.7 per cent.

In 2020, the pensions were adjusted on the basis of a factor of 1.50 per cent. In the same way as for the Norwegian National Insurance Scheme, a fixed factor of 0.75 per cent is deducted from the adjustment of the majority of pensions. This resulted in a minimum increase in the total pension of 0.74 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 December 2020, the proportion of shares, equity funds, hedge funds and speciality funds was 16 per cent of the total assets. This is 2 percentage points higher than in 2019. In the opinion of the Board, the scheme's investment strategy and authorisation structure provide a good level of control of the management of the scheme's assets.

The portfolio of investments held to maturity represented 27 per cent of the total assets at year-end. This proportion has increased by 5 percentage points compared with the previous year. The current return from this portfolio is 3.9 per cent.

Insurance risk

Risk management on the investment side and risk management related to the actuarial reserves are viewed in combination. The actuarial reserves are liabilities with a long time frame. The capital is therefore also invested in a long-term perspective.

The statement of technical reserves for 2020 is based on the K2005 life expectancy tariff with a basic interest rate

of 3 per cent. A 15 per cent 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.

Profit

The profit for the year is NOK 252 million. Net profits related to financial assets stood at NOK 667 million. This includes changes in unrealised gains and losses. All asset classes made a positive contribution to returns for 2020.

Unrealised capital gains of NOK 331 million have been allocated to the securities adjustment reserve in 2020. This has reduced the result for 2020 correspondingly.

In 2020, a total increase in pension liabilities (the premium reserve) of NOK 465 million was recorded. Growth in the number of total members, as well as salary increases and the adjustment of current pensions all contribute to the increase in liabilities.

This year's profit of NOK 252 million will be allocated to other retained earnings.

Financial position

As at 31 December 2020, the Pension Scheme for the Pharmacy Sector had assets totalling NOK 12,058 million. Of the total assets, approximately 68 per cent are placed in fixed-income securities, 16 per cent in shares, equity funds, hedge funds and speciality funds, 12 per cent in properties

and real estate, 1 per cent in loans and 1 per cent in bank deposits, while other items account for 2 per cent of the total assets.

Other retained earnings totalled NOK 2,341 million at year-end. This is an increase of NOK 252 million from 2019. The pension scheme calculates the solvency margin requirement based on the rules that apply to private pension funds. As at 31 December 2020, the calculated solvency margin requirement totalled NOK 298 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 2,043 million at the end of 2020. This is necessary buffer capital to cover random risks that are not covered by the premium. The buffer capital is equivalent to 16.9 per cent of the total assets. By comparison, free equity totalled NOK 1,806 million at the end of 2019. This is equivalent to 16.4 per cent of the total assets.

As at 31 December 2020, NOK 1,089 million in net unrealised capital gains was allocated to the securities adjustment reserve. The securities adjustment reserve serves as a buffer against possible future market price drops.

The buffer capital was strengthened during 2020. Together with the premiums paid, the return on the securities portfolio contributed to this strengthening. The

return (time-weighted) of 6.0 per cent in 2020 is better than the comparable reference index, and also exceeds the assumptions made at the beginning of the year.

The pension scheme calculates capital requirements based on the new binding capital requirements from the Financial Supervisory Authority of Norway – simplified solvency capital requirements – which entered into force for pension funds as from 1 January 2019. The calculations are made under rules similar to those that apply to private pension funds. The solvency capital requirement must cover the risk of loss of the pension fund's buffer capital and demonstrates the scheme's ability to withstand losses without threatening the scheme's continued operations. For calculation of the simplified solvency capital requirement, until 2032 pension companies can

use a transitional rule for calculation of the fair value for insurance liabilities.

As at 31 December 2020, the buffer capital satisfies the capital requirement based on the calculation of the simplified solvency capital requirement with use of the transitional rule. The calculations show that the pension scheme also has a satisfactory financial position without use of the transitional rule.

Summary

The annual financial statements have been prepared under the going concern assumption. As at 31 December 2020, the pension scheme had set aside technical reserves in accordance with the provisions of Act No. 11 of 26 June 1953 on 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 2020 and the scheme's financial position at year-end.

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 faced by the sector. The requirements concerning the going concern assumption are thereby satisfied.

Oslo, 23 March 2021


Tomas Berg (Chair)
(sign.)

Kristin Juliussen
(sign.)

Greta Torbergesen
(sign.)

Trond Teisberg
(sign.)

Kjell Morten Aune
(sign.)



Financial Statements and Notes

Income Statement 2020

	Note	2020	2019
TECHNICAL ACCOUNT			
Premium income			
Premium income	16	771,483,396	767,634,268
Net income from investments in the collective portfolio			
Interest income and dividends, etc. from financial assets		257,122,161	243,446,302
Net operating income from real estate fund		48,962,305	47,081,343
Value adjustments on investments		327,757,235	334,376,127
Realised profit and loss on investments		12,648,367	5,344,240
Total net income from investments in the collective portfolio	20	646,490,067	630,248,013
Insurance benefits			
Pensions paid	17	353,168,514	337,618,525
Recognised changes in insurance liabilities			
Change in premium reserve	12	465,000,000	431,000,000
Change in exceptional liabilities	13	-9,959,894	-9,959,894
Change in securities adjustment reserve		331,246,805	335,084,621
Total recognised changes in insurance liabilities		786,286,911	756,124,727
Insurance-related operating costs			
Administrative costs	18	29,581,910	27,207,366
Insurance-related administrative costs	19	16,839,728	16,898,978
Total insurance-related operating costs		46,421,637	44,106,344
Technical result		232,096,401	260,032,686

	Note	2020	2019
NON-TECHNICAL ACCOUNT			
Net income from investments in company portfolio			
Interest income and dividends, etc. from financial assets		8,123,839	9,225,784
Net operating income from real estate fund		1,546,976	1,784,222
Value adjustments on investments		10,355,572	12,671,714
Realised profit and loss on investments		399,628	202,528
Total net income from investments in the company portfolio	20	20,426,016	23,884,249
Other income			
Interest income on bank deposits, operations		162,115	124,639
Administrative costs and other costs linked to the company portfolio			
Administrative costs	18	1,001,219	987,429
Non-technical result		19,586,911	23,021,459
Comprehensive income		251,683,312	283,054,145
Transfers and allocations			
Allocated to/transferred from(-) other retained earnings	14, 21	251,683,312	283,054,145
Total allocations		251,683,312	283,054,145

Balance Sheet/Assets

	Note	31.12.2020	31.12.2019
ASSETS IN COMPANY PORTFOLIO			
INVESTMENTS			
Financial assets valued at amortised cost			
Investments held to maturity	2	86,764,617	62,978,292
Housing loans	3	1,695,583	1,923,185
Total financial assets valued at amortised cost		88,460,200	64,901,478
Financial assets at fair value			
Shares and mutual funds	4, 7	91,175,119	74,764,763
Fixed-income securities	5, 7	132,100,567	131,231,266
Financial derivatives	6, 7	992,934	1,167,373
Bank deposits		3,819,921	9,984,744
Total financial assets at fair value		228,088,541	217,148,146
Total investments in company portfolio		316,548,740	282,049,624
Receivables			
Accounts receivable	9	183,486,344	206,360,250
Receivables from brokers		225,292	0
Total receivables		183,711,636	206,360,250
Other assets			
Bank deposits, operations	8	15,545,185	8,321,596
Prepaid expenses and accrued income			
Accrued non-invoiced premiums		6,700,000	6,500,000
Accrued dividends		3,820,563	3,853,656
Prepaid expenses		12,601	57,879
Total prepaid expenses and accrued income		10,533,164	10,411,535
Total assets in company portfolio		526,338,725	507,143,005

	Note	31.12.2020	31.12.2019
ASSETS IN CLIENT PORTFOLIOS			
INVESTMENTS IN COLLECTIVE PORTFOLIO			
Financial assets valued at amortised cost			
Investments held to maturity	2	3,160,683,013	2,347,361,430
Housing loans	3	61,767,126	71,682,010
Total financial assets valued at amortised cost		3,222,450,139	2,419,043,440
Financial assets at fair value			
Shares and mutual funds	4, 7	3,321,349,887	2,786,673,234
Fixed-income securities	5, 7	4,812,192,267	4,891,323,665
Financial derivatives	6, 7	36,170,839	43,510,970
Bank deposits		139,153,042	372,156,837
Total financial assets at fair value		8,308,866,035	8,093,664,706
Total investments in collective portfolio		11,531,316,174	10,512,708,145
Total assets in client portfolios		11,531,316,174	10,512,708,145
Total assets		12,057,654,899	11,019,851,150

Balance sheet/equity and liabilities

	Note	31.12.2020	31.12.2019
Retained earnings			
Other accrued dividends	10, 11, 15	2,341,375,162	2,089,691,850
Total retained earnings	10, 11, 15	2,341,375,162	2,089,691,850
Insurance liabilities			
Premium reserve	12	8,553,000,000	8,088,000,000
Special liability – for regulation of pensions	13	60,930,886	70,890,780
Securities adjustment reserve		1,088,844,330	757,597,525
Total insurance liabilities		9,702,775,216	8,916,488,305
LIABILITIES IN COMPANY PORTFOLIO			
Financial liabilities measured at fair value			
Financial derivatives	6	0	0
Expenses and income accrued			
Accrued expenses		3,134,342	3,525,532
LIABILITIES IN CLIENT PORTFOLIOS			
Financial liabilities measured at fair value			
Financial derivatives	6	0	0
Expenses and income accrued			
Accrued expenses		10,370,179	10,145,462
Total equity and liabilities		12,057,654,899	11,019,851,150

Equity statement 31.12.2020

	Other accrued dividends	Total equity
(Figures in whole NOK)		
Equity 31.12.2018	1,806,637,705	1,806,637,705
Added equity/profit charged on allocation	283,054,145	283,054,145
Equity 31.12.2019	2,089,691,850	2,089,691,850
Added equity/profit charged on allocation	251,683,312	251,683,312
Equity 31.12.2020	2,341,375,162	2,341,375,162

Oslo, 23 March 2021

Tomas Berg (Chair)
(sign.)

Kristin Juliussen
(sign.)

Greta Torbergsen
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Trond Teisberg
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Kjell Morten Aune
(sign.)

Cash flow statement

(Figures in whole NOK)

	2020	2019
Cash flow from operations		
Member contributions	793,804,361	722,622,848
Bank interest	747,638	867,839
Interest income on loans	1,517,160	1,645,532
Interest on bonds/certificates	239,810,690	231,476,416
Dividends	23,234,282	18,714,616
Other costs/revenues	-2,092,577	321,015
Total	1,057,021,554	975,648,265
Cash flow from financing activities		
Financial expenses paid	-2,004,644	-926,178
Pensions paid	-353,168,514	-337,618,525
Administrative expenses	-46,346,500	-44,814,927
Change in accounts payable	284,693	112,951
Changes in other liabilities	-451,167	31,217
Total	-401,686,132	-383,215,462
Total cash flow from operations	655,335,422	592,432,803

(Figures in whole NOK)

	2020	2019
Cash flow from investments		
Net realised losses/gains on shares/derivatives/speciality funds	4,556,078	-16,484,456
Net realised losses/gains on bonds/certificates	8,491,917	22,031,225
Net realised returns on real estate fund	50,509,282	48,865,566
Net change in loans	10,245,181	3,122,369
Net losses on loans	0	0
Net change in real estate fund	-93,075,641	-74,616,667
Net change in securities	-857,627,835	-358,165,142
Net change in other receivables	-10,379,433	-9,906,594
Total cash flow from investments	-887,280,451	-385,153,700
Cash flow from financing activities		
Paid-up subordinated capital	0	0
Total cash flow from financing activities	0	0
Net cash flow for the period	-231,945,029	207,279,103
Cash and cash equivalents at the beginning of the period	390,463,177	183,184,073
Cash and cash equivalents at the end of the period	158,518,148	390,463,177
Net change in cash and cash equivalents	-231,945,029	207,279,103

Notes

Note 1 | Accounting policies

Wherever possible the annual financial statements have been prepared in accordance with the Regulation of 20 December 2011 on annual financial statements etc. for pension companies and with the Norwegian Accounting Act that entered into force on 1 January 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 amortised cost

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

Housing loans are recorded at nominal value as at 31 December 2020.

Financial assets measured at fair value

Shares and mutual funds

Investments in shares and mutual funds are valued at fair value as at 31 December 2020. Fair value is equivalent to the market value as at 31 December 2020. Market value is based on the closing listed price in 2020.

Shares in real estate funds are included in shares and mutual funds. The shares are valued at market value at 31 December 2020. The market value is based on independent valuations of the properties.

Shares and mutual funds also include units in infrastructure funds and specialty funds. The funds have calculated the value of the mutual fund units as at 31 December 2020 according to the industry standard.

Bonds

Investments in bonds are valued at fair value as at 31 December 2020. Changes in value are recognised in the income statement. Fair value is equivalent to the market value as at 31 December 2020. Market value is equivalent to the tax assessment value for 2020.

Financial derivatives

Foreign currency forward contracts are valued at fair value as at 31 December 2020. Fair value is equivalent to the market value as at 31 December 2020.

Securities valued at fair value are considered to be a single portfolio. The total of the market value minus the acquisition cost is the unrealised gain or loss on the portfolio. Any net unrealised gain in the collective portfolio is allocated to the securities adjustment reserve. Any net unrealised loss 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 December 2020.

Insurance liabilities

The calculations are based on the assumption that the pension scheme will continue to operate for as long as obligations exist towards its members as at 31 December 2020. 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 as at the balance sheet date (31 December 2020). 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 in the case of longevity risk and mortality for mortality risk are based on the basic elements in K2005. Mortality in the case of longevity risk was also strengthened by a 15 per cent 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 this equity must cover the estimated solvency margin requirement. The solvency margin requirement is described in more detail in Note 15. 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 the Pharmacy Sector.

Tax status

In a statement from 1998, the former Oslo Tax Office concluded that the Pension Scheme for the Pharmacy Sector is a tax-free institution. The pension scheme's financial statements thus do not include any tax charge.

Note 2 | Investments held to maturity

Bonds classified as held to maturity

<i>Figures in NOK thousands</i>					
Issuer	Par value	Cost price	Book value	Market value	Difference between book and nominal value
Government-guaranteed	0	0	0	0	0
Banking/finance	575,000	574,808	574,894	608,791	106
Municipality/county	25,000	23,835	24,256	26,690	744
Industry	1,696,300	1,652,897	1,652,228	1,659,400	44,072
Energy	240,000	267,238	265,885	288,628	-25,885
Bonds held to maturity:	2,536,300	2,518,778	2,517,262	2,583,510	19,038
Interest earned			47,561	47,561	
Total book value	2,536,300	2,518,778	2,564,823	2,631,071	19,038
Proportion of above in the collective portfolio			2,496,296		
Proportion of above in the company portfolio			68,527		
Book value 1 January 2020:			2,269,717		
Additions 2020:			292,743		
Disposals 2020:			-2,550		
Accrued premium/discount for the year:			-298		
Change in interest earned 2020:			5,211		
Book value 31 December 2020:			2,564,823		

Loans and receivables

<i>Figures in NOK thousands</i>					
Issuer	Par value	Cost price	Book value	Market value	Difference between book and nominal value
Government-guaranteed	0	0	0	0	0
Banking/finance	0	0	0	0	0
Municipality/county	70,000	70,000	70,000	70,525	0
Industry	612,000	610,287	610,314	613,400	1,686
Energy	0	0	0	0	0
Bonds held to maturity:	682,000	680,287	680,314	683,925	1,686
Interest earned			2,311	2,311	
Total book value	682,000	680,287	682,625	686,236	1,686
Proportion of above in the collective portfolio			664,387		
Proportion of above in the company portfolio			18,238		
Book value 1 January 2020:			140,624		
Additions 2020:			540,288		
Disposals 2020:			0		
Accrued premium/discount for the year:			27		
Change in interest earned 2020:			1,687		
Book value 31 December 2020:			682,625		
Total investments held to maturity					
Proportion of above in the collective portfolio			3,160,683		
Proportion of above in the company portfolio			86,765		

Bonds held to maturity are traded on regulated marketplaces. All bonds are issued in NOK. The effective yield on bonds classified as held to maturity is 3.9 per cent. The effective yield is calculated on the basis of the effective yield on each bond. The average yield is weighted in relation to the relevant security's nominal value and totalled. The difference between book and nominal value is recognised in the income statement over the remaining life of the bond.

Bonds included in loans and receivables are not traded regularly on regulated marketplaces. All bonds are issued in NOK. The effective yield on bonds classified as held to maturity is 3.9 per cent. The effective yield is calculated on the basis of the effective yield on each bond. The average yield is weighted in relation to the relevant security's nominal value and totalled. The difference between book and nominal 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 loans are recorded at nominal value as at 31 December 2020. No losses have been written off in the last five years. Hence, no general provisions 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 at 31 December 2020, since the number of claims and the sums relating to them have been low in recent years.

Specification of the loan portfolio:

	Housing loans
Number	100
Amount	63,780,988
First due date	-399,967
Interest earned	81 688
Total	63,462,709
Proportion of above in the collective portfolio:	61,767,126
Proportion of above in the company portfolio:	1,695,583

The interest rate on housing loans increased from 2.50 per cent to 2.60 per cent from 1 January 2020. The interest rate was reduced to 2.20 per cent from 1 July 2020, and further to 1.50 per cent from 1 September 2020.

Losses etc. on loans	2020	2019	2018	2017	2016
Principal written off	0	0	0	0	0
Principal written off, credit insurance	0	0	0	0	0
Interest written off	0	0	0	0	0
Interest written off, credit insurance	0	0	0	0	0
Payments previously written off	0	0	0	0	0
Total	0	0	0	0	0

Note 4 | Shares/mutual fund units

Shares listed on Oslo Børs/VINX

Company	Cost price	Book value	Unrealised gains/losses
Af Gruppen Ord	8,460,832	17,560,000	9,099,168
Agilyx As	6,250,080	14,616,000	8,365,920
Airthings As	13,500,000	13,768,000	268,000
Borregaard Asa	11,347,091	29,778,000	18,430,909
Elkem Asa	15,576,820	14,190,000	-1,386,820
Entra Asa	7,659,272	11,652,000	3,992,728
Europris Asa	19,837,629	30,660,000	10,822,371
Fjordkraft Holding	11,417,078	27,453,600	16,036,522
Golden Energy Offshore Services As	5,686,134	686,671	-4,999,463
Hexagon Composites	13,215,965	27,897,000	14,681,035
Hexagon Purus	4,018,778	7,345,679	3,326,901
Kalera As	12,000,000	13,002,000	1,002,000
Lerøy Seafood Group	8,275,077	9,084,000	808,923
Norske Skog Asa	12,081,620	12,205,980	124,360
Oht	7,792,959	7,480,000	-312,959
Pioneer Property Group Asa	12,500,000	12,625,000	125,000
Ringerike Sparebank	9,211,572	12,529,034	3,317,462
Self Storage Group Asa	9,644,250	13,000,000	3,355,750
Softox As	1,908,775	2,429,350	520,575
Sparebank 1 Bv	7,330,413	9,251,200	1,920,787
Sparebanken Telemark	8,121,475	9,730,000	1,608,525
Yara International	17,031,577	16,732,000	-299,577
Total Norwegian shares	222,867,398	313,675,514	90,808,116

Company	Cost price	Book value	Unrealised gains/losses
Carlsberg A/S - B	12,811,972	13,731,791	919,819
Dometic Group Ab	11,634,470	19,314,220	7,679,750
Investor Ab B-Aksjer	14,622,124	25,618,676	10,996,552
Novo Nordisk AS-B	19,033,129	28,235,996	9,202,867
Sampo Oyj-A	19,510,527	18,840,705	-669,821
Sandvik Ab	8,150,321	13,644,517	5,494,196
Subsea 7 S.A (formerly Acergy S.A.)	23,904,657	18,885,600	-5,019,057
Upm-Kymmene Oyj	15,755,066	17,564,249	1,809,183
Vestas Wind Systems AS	9,430,058	29,390,919	19,960,861
Volvo Ab-B	18,824,931	28,293,250	9,468,319
Total foreign shares	153,677,255	213,519,923	59,842,668

Total individual shares listed on the Oslo Stock Exchange/VINX	376,544,653	527,195,437	150,650,784
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Equity funds

Fund	Cost price	Book value	Unrealised gains/losses
BlackRock World Index Fund	240,337,679	757,677,864	517,340,186
iShares Emerging Markets Index Fund (IE)	67,398,256	93,332,808	25,934,552
Total foreign equity funds	307,735,934	851,010,672	543,274,738

Hedge funds/Speciality funds

Fund	Cost price	Book value	Unrealised gains/losses
Archmore Infrastructure Debt Platform SCA	58,861,559	68,956,190	10,094,632
Cheyne Real Estate Credit (Crech) Fund Iv	82,529,625	92,881,454	10,351,829
Cheyne Real Estate Credit (Crech) Fund V	84,442,875	95,365,707	10,922,832
Pareto Real Estate Credit Fund	235,476,788	236,587,747	1,110,959
QVT A-1769	1,034,533	1,720,427	685,894
Sector Healthcare Fund Class A	20,402,707	42,493,873	22,091,166
Total foreign hedge funds/speciality funds	482,748,088	538,005,398	55,257,311

Real estate funds

Fund	Cost price	Book value	Unrealised gains/losses
Aberdeen Real Estate Fund Norge I AS	3,175,833	3,764,217	588,385
Aberdeen Eiendomsfond Norge I IS	306,296,790	372,668,144	66,371,354
Pareto Eiendomsfelleskap AS/IS	427,763,408	607,760,439	179,997,031
Union Core Real Estate Fund AS	4,676,923	5,119,861	442,938
Union Core Real Estate Fund IS	463,015,386	507,000,838	43,985,452
Total real estate funds	1,204,928,339	1,496,313,499	291,385,159

Total shares and mutual funds	2 371 957 014	3,412,525,006
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Proportion of above in the collective portfolio	2,308,583,801	3,321,349,887
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Proportion of above in the company portfolio	63,373,212	91,175,119
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The portfolio of individual shares consists of shares listed on the main market of the Oslo Stock Exchange, Euronext Expand Oslo and Euronext Growth Oslo, as well as shares listed on the stock exchanges in Copenhagen, Stockholm or Helsinki and included in the VINX benchmark index. Limits have been imposed on the proportion of total assets 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 BlackRock World Index Subfund mirrors the index of shares in developed markets. iShares Emerging Markets Index Fund duplicates shares in the emerging markets index – MSCI Emerging Markets Index. Combined, the two funds have almost the same risk profile as the global benchmark index MSCI All Country World Index.

Investments in speciality funds at year-end consisted of six different funds – two hedge funds, two funds that invest in real estate loans, a fund that invests in credit bonds against real estate mortgages, and an infrastructure investment fund. The benchmark index for hedge fund investments for 2020 has, as previously, been the Global Hedge Fund Index.

Real estate investments consist of units in Aberdeen Eiendomsfond Norge I IS/AS, Pareto Eiendomsfelleskap AS/IS and Union Core Real Estate Fund IS/AS. These investments are recorded at market value as at 31 December 2020. The market value of the units is calculated based on independent valuations of the properties.

Book value of real estate investments as at 31 December 2020 (NOK thousand):

	2020	2019	2018	2017	2016
Opening balance	1,324,732	1,203,684	1,101,755	826,565	937,384
Additions during the year at acquisition cost	93,076	74,616	74,377	225,623	0
Disposals during the year at acquisition cost	0	0	0	-26,059	-138,140
Value adjustments in the financial year	78,506	46,432	27,552	75,626	27,321
Closing balance	1,496,314	1,324,732	1,203,684	1,101,755	826,565
Proportion of above in the collective portfolio	1,456,336	1,290,119	1,166,021	1,060,044	806,118
Proportion of above in the company portfolio	39,978	34,613	37,663	41,711	20,447

Pareto Eiendomsfelleskap AS/IS is structured as two companies – Pareto Eiendomsfelleskap IS and Pareto Eiendomsfelleskap AS – in which the AS is the principal for the IS. 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 in Pareto Eiendomsfelleskap, 95 per cent comprise real estate in Greater Oslo, while 5 per cent comprise real estate in other parts of eastern Norway. 90 per cent of the total investments is in buildings related to warehousing/logistics, while the remaining 10 per cent is in buildings related to terminals/logistics. The average weighted remaining term of lease agreements for properties in the portfolio was 10.4 years at end-2020, up from 9 years in 2019. The total annualised gross rent was NOK 264 million at end-2020.

Aberdeen Eiendomsfond Norge I IS/AS is structured as two companies – Aberdeen Eiendomsfond Norge I IS and Aberdeen Eiendomsfond Norge I AS – in which the AS is the principal for the IS. 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 the total investments in Aberdeen Eiendomsfond Norge I IS/AS, 78 per cent is in real estate in Greater Oslo, 10 per cent in Trondheim, 8 per cent in Bergen, 1 per cent in Stavanger and 3 per cent in other municipalities. The portfolio consists of 32 properties. The average weighted remaining term of lease agreements for properties in the portfolio was 6.4 years at end-2020, which is a slight increase from end-2019. Total gross rental income amounted to NOK 537 million in 2020.

The company structure in Union Core Real Estate Fund IS/AS consists of two companies – Union Core Real Estate Fund IS and Union Core Real Estate Fund AS, in which the AS is the principal for the IS. The investment in Union Core Real Estate Fund IS/AS is viewed as a direct investment

in real estate. Investments have only been made in properties in Norway. Union Core Real Estate has so far invested in 11 properties: In each of the cities of Stavanger, Bergen Trondheim, Lillehammer and Sandefjord, Union Core has one property, while the remaining six properties are located in the Oslo area. Total rental income for the fund is NOK 104 million, and the average remaining term for lease agreements is 10 years. 27 per cent of rental income comes from the public sector, 49 per cent from private enterprises and 24 per cent from foundations/associations.

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

Note 5 | Bonds

Issuer	Cost price	Market value
Banking and finance	1,232,810,060	1,246,956,656
Municipality/county	941,596,500	967,851,498
Government-guaranteed	731,176,800	737,210,825
Industry	1,407,664,975	1,407,798,734
Energy	96,630,750	97,495,693
Subordinated loans	449,562,100	457,975,672
Total fixed-income securities classified as financial current assets	4,859,441,185	4,915,289,076
Interest earned		29,003,757
Total	4,859,441,185	4,944,292,834

Proportion of above in the collective portfolio	4,812,192,267
Proportion of above in the company portfolio	132,100,567

The fixed-income securities portfolio is classified as a financial current asset and consists of fixed-income securities listed on the Oslo Stock Exchange, Nordic ABM and Nordic Nasdaq (Stockholm), as well as unlisted fixed-income securities. All fixed-income securities classified as financial current assets are denominated in NOK, with the exception of six securities denominated in USD, four securities denominated in EUR and five securities denominated in SEK. The current effective yield is approximately 1.2 per cent for securities at variable interest rates and approximately 1.2 per cent for fixed interest securities. The average effective yield is calculated on the basis of the individual securities' effective yield, weighted in relation to the market value.

Note 6 | Financial derivatives

The purpose of using derivatives in asset management 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 (standardised) derivatives. The underlying securities must be securities in which the scheme can invest in accordance with applicable guidelines. Non-standardised (OTC) derivatives may only be used by POA for foreign currency forward contracts, as well as Forward Rate Agreements (FRA) and interest rate swaps to a limited extent.

As at 31 December 2020, investments were made in the following derivatives:

Currency purchased	Currency sold	Nominal amount in NOK	Fair value in NOK
NOK	EUR	-385,682,016	6,923,936
NOK	USD	-501,633,254	25,439,200
NOK	GBP	-179,136,000	3,319,309
NOK	SEK	-206,118,345	-296,244
NOK	DKK	-72,976,646	1,777,572
Total foreign currency forward contracts		-1,345,546,261	37,163,773
Proportion of above in the collective portfolio (liabilities)			36,170,839
Proportion of above in the company portfolio (liabilities)			992,934

During 2020, POA used options to hedge investments in foreign shares. These hedging arrangements were recognised in the financial statements at around NOK 8.6 million in 2020. In addition, stock options and stock futures were traded in 2020 in order to effectively adjust equity exposure.

Note 7 | Financial instruments measured at fair value

In accordance with the Act relating to annual accounts for pension companies, financial instruments measured 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 defined 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 made for 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:

	31.12.2020	Level 1	Level 2	Level 3
Shares and mutual funds	3,412,525,006	527,195,437	851,010,672	2,034,318,897
Bonds	4,944,292,834		4,944,292,834	
Financial derivatives	37,163,773		37,163,773	
Total	8,393,981,613	527,195,437	5,832,467,279	2,034,318,897

Note 8 | Bank deposits

Of bank deposits related to operations of NOK 15,545,185 as at 31 December 2020, NOK 280,833 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 December 2020, there are no such locked-in bank deposits.

Note 9 | Accounts receivable – losses on accounts receivable

Accounts receivable had a book value of NOK 183,486,344 and consisted of:

	31.12.2020	31.12.2019
Accounts receivable related to premium income:	183,717,036	206,038,001
Accounts receivable related to loans:	400,652	582,890
Provision for potential loss:	-631,344	-260,641
Total accounts receivable:	183,486,344	206,360,250

Accounts receivable are recorded at nominal value as at 31 December 2020. Provision has been made for possible losses on accounts receivable as at 31 December 2020. Recorded losses on receivables were as follows:

	2020	2019
Realised loss on receivables:	0	0
Change in provision for potential loss:	370,703	-66,952
Recorded loss on receivables:	370,703	-66,952

Note 10 | Other retained earnings

As at 31 December 2020, other retained earnings totalled NOK 2,341,375,162. Other retained earnings with the addition of the securities adjustment reserve of NOK 1,088,844 together make up the overfunding of the scheme.

The change in retained earnings in 2020 can be specified as follows:

Retained earnings as at 31 December 2019	2,089,691,850
+ Net profit for the year allocated to other retained earnings	251,683,312
= Retained earnings as at 31 December 2020	2,341,375,162

Note 11 | Solvency margin requirement

The pension scheme has calculated the solvency margin requirement using rules similar to those applicable to private pension funds in accordance with the new administrative regulations from the Ministry of Labour and Social Affairs with effect from 2011. As at 31 December 2020, the solvency margin requirement is estimated to amount to NOK 297,603,437. The basis for calculation of the solvency margin requirement is as follows:

	Calculation basis	Calculation factor	Calculated solvency margin requirement
Premium reserve for retirement pensions	7,044,752,108	4.00%	281,790,084
Mortality risk (uncovered risk, gross)	221,346,003	0.30%	664,038
Disability pension and premium exemptions (gross risk premium)	58,266,596	26.00%	15,149,315
Total solvency margin requirement as at 31 December 2020:			297,603,437

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 reserve, total NOK 3,132,616,055. This constitutes the scheme's buffer capital.

Note 12 | Premium reserve

The Pension Scheme for the 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 is calculated as the present value of accrued pension entitlements as at 31 December 2020. The premium reserve must cover future pension entitlements accrued at the balance sheet date by the scheme's members. For the pension recipients, the premium

reserve is the current value of remaining pension payments. Wherever possible the amount of provision has been calculated in accordance with the guidelines applicable to private sector pension funds.

The basis for the calculation is the industry tariff K2005 with a basic interest rate of 3 per cent. Mortality in the case of longevity risk is also strengthened with a 15% safety margin for both genders.

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

The administration reserve allows for expected future costs associated with the payment of pensions. The administration reserve is not calculated individually, but forms part of the premium reserve. The Pension Scheme for the Pharmacy Sector has opted to make provision for these future costs in the order of 4 per cent 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 entitlements).

Note 13 | Special liability – for regulation of pensions

A one-off settlement was performed for the calculated costs of future regulation of pensions for companies that withdrew from the pension scheme with effect from 1 January 2017 and 1 January 2018. The one-off settlement in 2017 amounted to NOK 87,883,720, while the one-off settlement in 2018 amounted to NOK 11,715,220. The one-off settlements were allocated as a special liability in the balance sheet.

The actual cost of the regulation of pensions each year is reflected in the premium reserve. The special allocation for the calculated regulation cost is, therefore, reduced annually by 1/10 of the original amount. The remaining special liability as at 31 December 2020 totalled NOK 60,930,886.

Note 14 | Allocation of the profit for the year

The profit of NOK 251,683,312 will be allocated to other retained earnings.

Other retained earnings totalled NOK 2,341,375,162 as at 31 December 2020. Other retained earnings and the securities adjustment reserve together constitute the scheme's overfunding.

Note 15 | Simplified solvency capital requirement

A new binding capital requirement – the simplified solvency capital requirement – entered into force for pension funds as from 1 January 2019. The requirement is a simplified version of the Solvency II regulations that apply to insurance companies and is based on the Norwegian Financial Supervisory Authority's stress test, with some adjustments.

The simplified solvency capital requirement as at 31 December 2020 totals NOK 1,606 million. The buffer capital exceeds the simplified solvency capital requirement by NOK 1,480 million. This provides a solvency capital ratio of 192 per cent. In the calculation of buffer capital, consideration has been made of the transitional rule from the Norwegian Financial Supervisory Authority for the upward adjustment of the premium reserve to fair value. The transitional rule entails that the effect of the upward adjustment to fair value is distributed over 16 years. In the calculation, it is assumed that the remaining upward adjustment is 12/16 parts.

Without the use of the transitional rule, the buffer capital is estimated to exceed the simplified solvency capital requirement by NOK 449 million. This provides a solvency capital ratio of 128 per cent.

Note 16 | Premium contributions

Members contributed premium income totalling NOK 793,804,361 in 2020. By comparison, the book value of premium income was NOK 771,483,396. In 2019, members contributed premium income totalling NOK 722,622,848, while the book value of premium income was NOK 767,634,268. 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 17 | Pensions

Of the pension costs in the income statement, NOK 891,817 represents write-offs of pension benefit overpayments. The corresponding figure for 2019 was NOK 651,803.

Note 18 | Administrative costs

Total administrative costs amounted to NOK 30,583,129. The pension scheme had three employees throughout 2020. Pay and social security expenses for these three investment managers totalled NOK 9,788,238 in 2020 and are included in administrative costs.

Note 19 | Insurance-related administrative costs

The pension scheme is managed by the Norwegian Public Service Pension Fund. In 2020, NOK 16,437,565 was charged against income in respect of the purchase of administrative services for the pension scheme, including costs related to bookkeeping, actuarial services, administration of pensions and internal auditing (NOK 16,202,186 in 2019). Furthermore, NOK 334,191 was charged against income for audit services, including value added tax (NOK 315,011 in 2019). The entire amount is related to standard audit services. NOK 350,719 was charged against income for remuneration to Board members (NOK 349,902 in 2019). Various other costs, cost reimbursements and interest income from customers total NOK -282,747 in net terms (NOK 31,879 in 2019). The total insurance-related administrative costs were NOK 16,839,728 (NOK 16,898,978 in 2019).

In 2020, the following remuneration was paid to the Board members of the scheme:

Tomas Berg, Chair (new)	47,661
Finn Melbø, Chair (resigned)	23,566
Trond Teisberg	67,606
Greta Torbergsen	71,228
Kristin Juliussen	71,228
Kjell Morten Aune	69,430
Total	350,719

Note 20 | Return on capital

The calculated yield on the total portfolio is as follows:

Year:	2020	2019	2018	2017	2016
Return stated in percentage terms (value-adjusted):	5.96	6.52	1.75	5.12	4.83
Return sin percentage terms (recognised):	3.05	3.12	3.08	2.63	6.48

The return on capital shown above has been calculated in respect of the entire portfolio: i.e. both the collective and the company portfolios. As from 2009, private sector pension funds have been required to calculate the return on capital for the entire collective portfolio.

Note 21 | Analysis of result

Amounts in NOK million	2020	2019
Changes in pension plan:	0.00	0.00
Yield result ¹⁾	496.51	435.26
Risk result ²⁾	-69.47	10.51
Other result ³⁾	215.29	172.50
Administration result	0.00	0.00
Insurance result	642.33	618.27

- 1) The interest result is the difference between the actual return and the calculation interest rate in the premium reserve.
- 2) The risk result is a compilation 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) Recognised difference between invoiced and actual calculated premium. A negative other result indicates the receipt of insufficient premium income.



Auditor's report

Auditor's report



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Pensjonsordningen for apotekvirksomhet

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Pensjonsordningen for apotekvirksomhet, which comprise the balance sheet as at 31 December 2020, the income statement, statements of cash flows and changes in equity 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 Pensjon fund as at 31 December 2020 and its financial performance and cash flows 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 Pensjon fund's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer are 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

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2

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 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.

Independent auditor's report - Pensjonsordningen for apotekvirksomhet

A member firm of Ernst & Young Global Limited



3

Oslo, 24 March 2021
ERNST & YOUNG AS

Johan-Herman Stene
State Authorised Public Accountant (Norway)

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

Independent auditor's report - Pensjonsordningen for apotekvirksomhet
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Insight

Pension liabilities

The pension scheme's premium reserve increased by NOK 465 million in 2020. As at 31 December 2020, the premium reserve was calculated at NOK 8,553 million.

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

The following factors are also considered

- (i) probabilities of survival and receiving a retirement pension,
- (ii) probability of losing working capacity 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 2020, 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 genders, and the K1963 disability tariff strengthened by 250 per cent.

The calculation interest rate, one year's earnings for active members and adjustment 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 – NOK 642 million

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

Interest result – NOK 497 million

The interest result is positive, which means that the return (5.95 per cent) on the pension assets has exceeded the calculation interest rate (3.0 per cent) in the premium reserve. The size of the pension funds is currently also approximately NOK 3.5 billion higher than the premium reserve.

Risk result – NOK -69 million

The risk result is negative at NOK 69 million. This entails that the risk premium calculated according to the applicable tariffs this year proved to be lower than the increase in the net premium reserve as a consequence of actual risk events during the year. There was an increase in the number of disability pensioners and thereby reserves for their disability pensions and premium exemptions.

Other result – NOK 215 million

The other result is positive. This is the difference between the premiums charged throughout the year and the premium calculated in the 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 entitlements.

Assessment of the pension scheme's financial position

In a pension scheme such as the Pension Scheme for the Pharmacy Sector, in which the overall liabilities are secured through the accumulation of funds, the value of the funds allocated to pensions (assets) should at least correspond to the insurance reserves, in order to ensure a reasonable level of coverage in the scheme. This is in line with the requirements made of similar private schemes that are subject to the Norwegian Insurance Activities Act.

The overfunding in the scheme continues to increase, and at year-end 2020 stood at NOK 3.5 billion. This represents an increase of NOK 642 million last year, as the total of the three aforementioned results.

Primarily premium income and several years of sound returns have contributed to this significant overfunding. Income from premiums is considered to be reliable income, while the returns are more uncertain. The premium rate of 18.1 per cent will help the pension fund to continue to build up the necessary buffer.

A new solvency requirement has been introduced for pension funds. The solvency requirement set out by the Norwegian Ministry of Finance in regulations is a simplified version of the Solvency II requirement. The new capital requirement fulfils two main objectives:

- to ensure that sufficient buffer capital exists so that the pension fund will be able to handle a stress scenario
- that the premium reserve is calculated at a risk-free volatility-adjusted market interest rate, to give a high level of certainty of fulfilling the long-term pension obligations.

The solvency requirement is based on stress test I, which the pension funds and the Financial Supervisory Authority of Norway have used in recent years. The Board of POA has been presented with the solvency requirement amounts for each quarter in 2020.

The Pension Scheme for the Pharmacy Sector does not report to the Financial Supervisory Authority of Norway, but pension funds that do so must account for implemented, planned and evaluated measures in the stress test reporting if the buffer capital utilisation exceeds 200 per cent.

Buffer capital utilisation by POA fluctuated considerably during 2020 as a consequence of the market situation and the yield curves from Eiopa used to calculate the premium reserve at "fair value". The duration of the pension scheme is currently 16 years and this point in the Eiopa yield was 1.6 per cent in the second and third quarters, and 1.9 per cent at year-end. Low yield curves cause the premium reserve to increase on calculating the solvency requirement. Buffer capital utilisation without the transitional rule exceeded 100 per cent in the second and third quarters, while it ended the year at 78 per cent.

Investment management

Despite a challenging start to the year, investment management delivered a total return of 5.96 per cent in 2020. Managed funds increased by around NOK 1 billion, to NOK 11.9 billion at year-end.

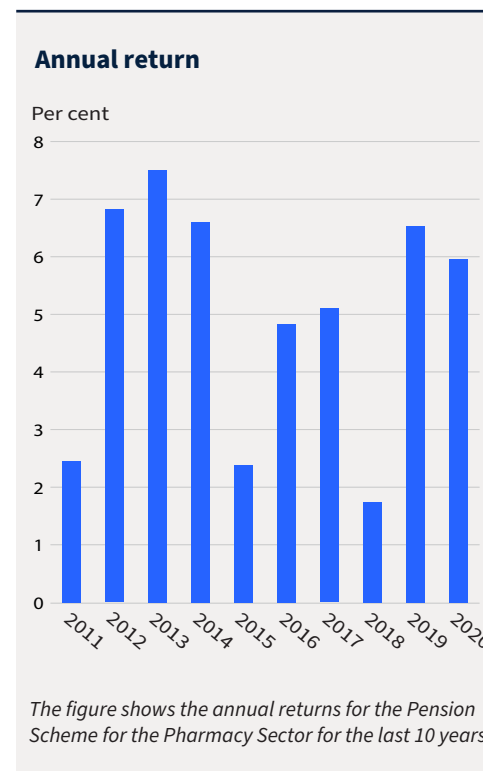
The investment management activities of the Pension Scheme for the Pharmacy Sector will contribute to the scheme's fulfilment of its long-term commitments without requiring excessive premium variations. The aim is to achieve the highest possible return within the scheme's available risk capacity.

The Pension Scheme for the Pharmacy Sector's investment strategy has been adopted by the Board of Directors. The risk level of the investment portfolio must be such that the scheme has at least a 99 per cent probability of fulfilling the statutory capital requirements.

Results and risks

During 2020, the Pension Scheme for the Pharmacy Sector maintained a moderate level of risk in the investment portfolio. Prior to last year, financial markets had long been characterised by stability and rising price trends for equities and real estate. However, the coronavirus situation had a strong negative impact on the markets in the first part of 2020. In March, we experienced a significant decline in value, combined with depreciation of the krone and weak liquidity in the markets. At the same time, interest rates fell – which negatively affected relevant liable capital on the calculation of the POA's capital adequacy.

However, good management results over a number of years have contributed to building up sound buffer capital. This was combined with prudent risk-taking. POA was therefore well-prepared to withstand the turbulence, and closed 2020 with sound buffer capital.



The investment management results have varied considerably over the past year. March was the weakest month for POA since the financial crisis in 2009, while April was the best month for many years in terms of results.

The plunging equity markets in March resulted in a return on equities of -22 per cent for the first quarter. Credit bonds at variable interest rates also lost ground and gave a negative return, while falling interest rates pushed up fixed-rate bond values. The return on the overall investment portfolio for the first quarter of 2020 was -2.63 per cent.

The second quarter, on the other hand, saw a strong recovery for most types of investment, with the exception of real estate. The return for this quarter was 4.25 per cent. The positive trend continued through the third and fourth quarters, helped by very strong results for equities and real estate towards the end of the year.

The return on equities closed at 14.95 per cent and the return on real estate was 9.59 per cent for year 2020 overall. The return on total fixed income investments booked at market value came to 3.64 per cent. The value-adjusted return on the total portfolio for 2020 was equivalent to the time-weighted return of 5.96 per cent.

The chart on the previous page shows the annual time-weighted return on the funds over the past 10 years. POA did not have any years of negative returns during this

period. The average return for the ten-year period is 5.0 per cent.

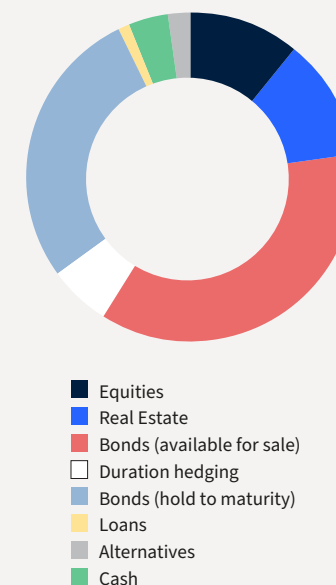
Asset allocation

At the end of the year, the pension scheme managed funds totalling NOK 11.9 billion. The portfolio increased by more than NOK 1 billion during 2020. In addition to a good contribution margin, ongoing excess liquidity in the scheme also contributed to the growth in the funds.

The Pension Scheme for the Pharmacy Sector has continuous focus on identifying the investment opportunities offering the best possible utilisation of POA's risk capacity. The pension scheme has considerable interest rate risk associated with the insurance liabilities. In line with the investment plan, at the beginning of 2020 a new duration hedging portfolio for non-current fixed income investments with a long maturity and low risk was established. The aim is to match cash flows on the investment side against cash flows on the liabilities side during the next ten years. Investments in bonds held to maturity also continued to increase throughout 2020. Towards the end of the year, POA also invested in a new speciality fund that invests in credit bonds secured by mortgages on real estate.

In the investment plan for 2021, the Board adopted a decision to maintain the 2020 risk level in 2021.

Asset allocation



The figure shows strategic allocations in the various asset classes at the beginning of 2021.



Statistics

Statistics

Members

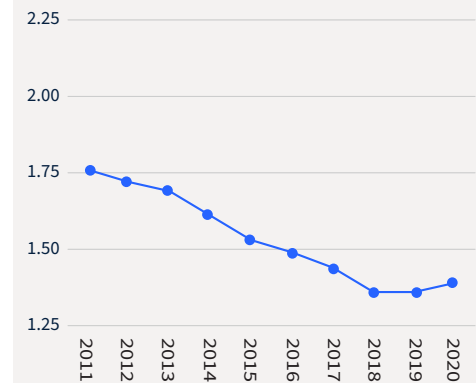
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Actively employed	6,689	7,125	7,274	7,422	7,585	7,645	7,704	7,527	7,812	8,380
Deferred (former member)*	6,245	6,386	6,564	6,767	7,175	7,522	7,925	8,331	8,770	9,196
Pensioners	3,803	4,144	4,295	4,600	4,951	5,121	5,338	5,517	5,739	6,030
AFP	282	295	312	310	293	269	264	288	273	271
Retirement pensions	1825	2088	2202	2513	2955	3165	3368	3484	3693	3916
Disability pensions	1367	1401	1422	1415	1335	1309	1329	1354	1366	1431
Spouse's pensions	306	336	338	343	342	352	348	360	374	380
Children's pensions	23	24	21	19	26	26	29	31	33	32
Ratio actively employed/ pensioners	1.759	1.719	1.694	1.613	1.532	1.493	1.443	1.364	1.361	1.390
Ratio actively employed/ pensioners and deferred	0.666	0.677	0.670	0.653	0.626	0.605	0.581	0.544	0.538	0.550

* 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. The figures given are the number of policies and not members.

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

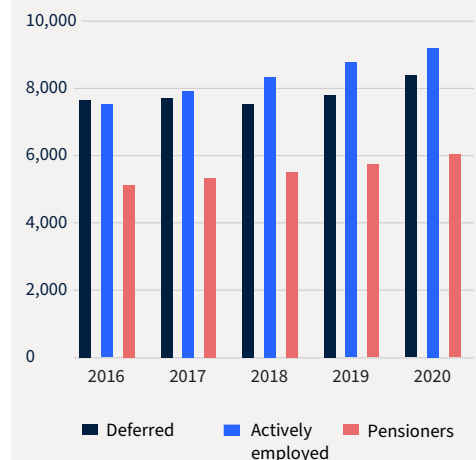
The graph at the top right shows the development in the ratio of active members (who are working) per pensioner in the pension scheme from 2011 to 2020. In 2011, there were more than 1.7 active members per pensioner in the scheme, while at the end of 2020 there were 1.4 active members per pensioner. This trend is declining, as also shown by the Norwegian National Insurance Scheme. Life expectancy is increasing and there are fewer active members to finance future pension costs. For the pension scheme, a trend whereby the number of pensioners is increasing more quickly than the number of actively-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 from 2011 to 2020.

Development in number of members



Actively-employed members

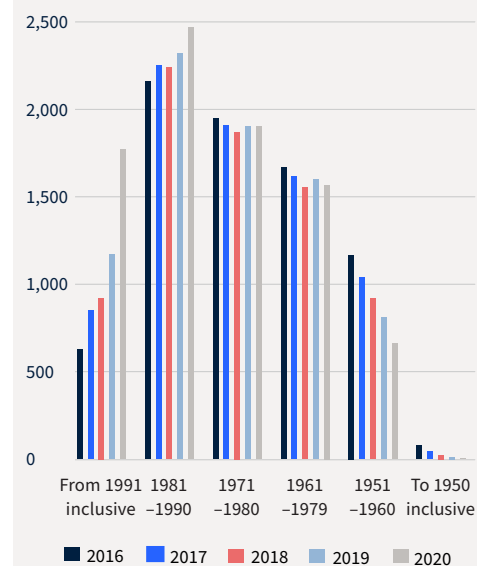
Position title	2020	Change from 2019
Pharmacy manager	1,000	40
Pharmacist (Master)	1,425	74
Pharmacist (Bachelor)	1,659	69
Pharmacy technician	4,148	409
Office/Driver/Cleaning	148	-24
Total	8,380	568

The table shows the distribution of actively-employed members by position title.

Actively-employed members by year of birth

Actively employed	2016	2017	2018	2019	2020		Change	
					Women	Men	Total	(2019–2020)
As from and including 1991	626	848	921	1,171	1,517	255	1,772	601
1981–1990	2,159	2,249	2,240	2,320	2,040	430	2,470	150
1971–1980	1,949	1,906	1,871	1,903	1,658	246	1,904	1
1961–1970	1,667	1,616	1,553	1,597	1,458	110	1,568	-29
1951–1960	1,167	1,040	918	809	609	53	662	-147
Up to and including 1950	77	45	23	12	3	1	4	-8
Total	7,645	7,704	7,526	7,812	7 285	1,095	8,380	568

Active members by year of birth



Pensioners

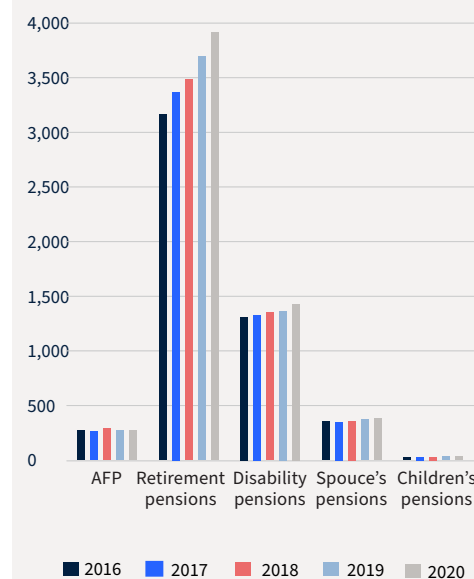
Type of pension	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
AFP	282	295	312	310	293	269	264	288	273	271
Retirement pensions	1825	2088	2202	2513	2955	3165	3368	3484	3693	3916
Disability pensions	1367	1401	1422	1415	1335	1309	1329	1354	1366	1431
Spouse's pensions	306	336	338	343	342	352	348	360	374	380
Children's pensions	23	24	21	19	26	26	29	31	33	32
Total	3,803	4,144	4,295	4,600	4,951	5,121	5,338	5,517	5,739	6,030

The table shows the development in the number of pensioners from 2011 until today.

Pensions paid 2020

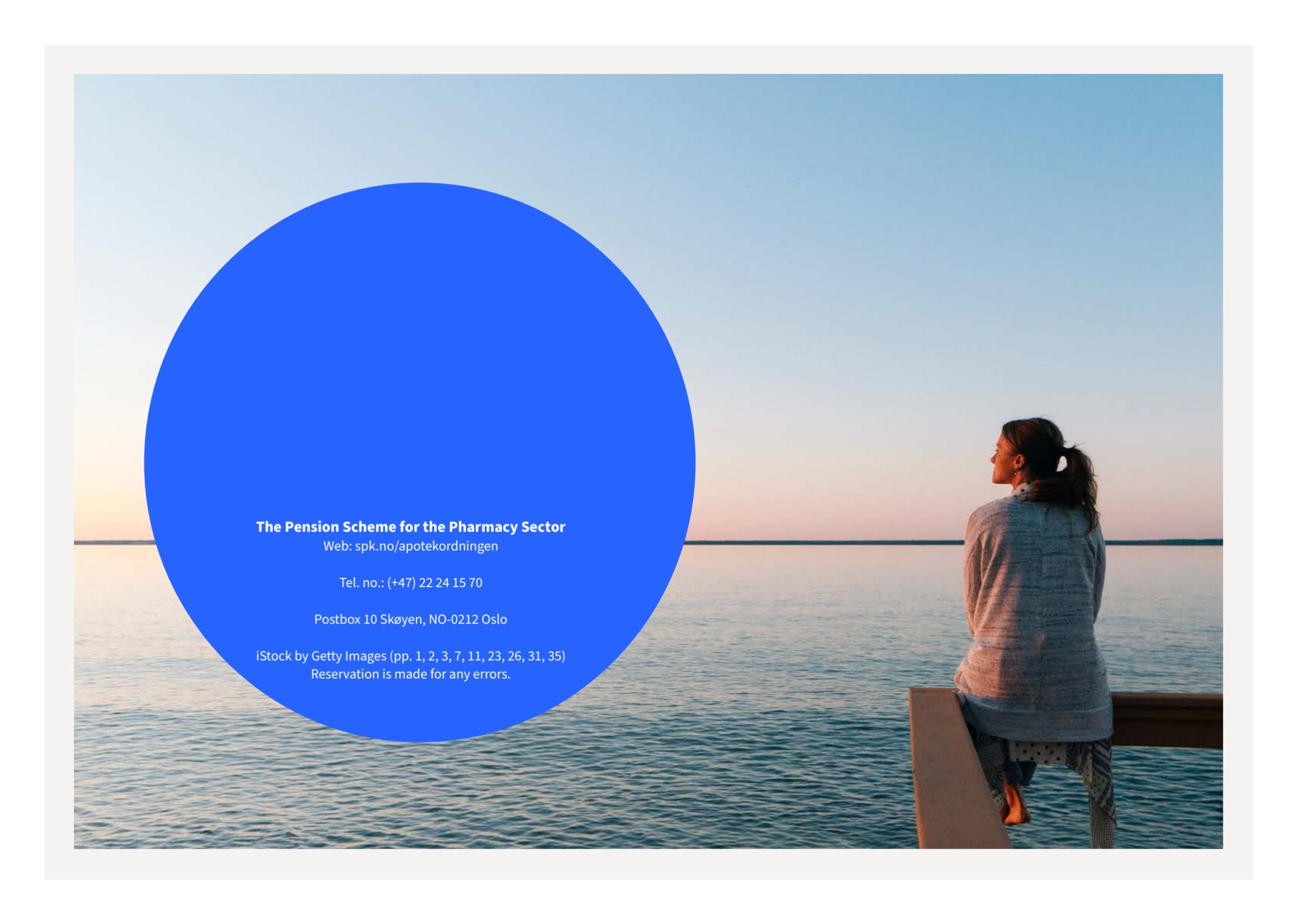
Type of pension		Gross paid	%	Coordination deduction	%	Net paid	%
AFP and retirement pension	Men	96,655,932	13.00%	59,357,122	14.00%	37,298,810	11.00%
	Women	568,408,128	74.00%	338,205,305	81.00%	230,202,823	65.00%
	Total	665,064,060	86.00%	397,562,427	96.00%	267,501,633	76.00%
Disability pensions	Men	3,646,860	0.00%	56,387	0.00%	3,590,473	1.00%
	Women	63,396,996	8.00%	1,558,371	0.00%	61,838,625	18.00%
	Total	67,043,856	9.00%	1,614,758	0.00%	65,429,098	19.00%
Dependents' pension	Men	17,714,760	2.00%	8,985,882	2.00%	8,728,878	2.00%
	Women	17,736,000	2.00%	7,722,122	2.00%	10,013,878	3.00%
	Total	35,450,760	5.00%	16,708,004	4.00%	18,742,756	5.00%
Children's pensions	Men	819,960	0.00%	-11,077	0.00%	831,037	0.00%
	Women	743,004	0.00%	79,014	0.00%	663,990	0.00%
	Total	1,562,964	0.00%	67,937	0.00%	1,495,027	0.00%
Pensioners in total	Men	118,837,512	15.00%	68,388,314	16.00%	50,449,198	14.00%
	Women	650,284,128	85.00%	347,564,812	84.00%	302,719,316	86.00%
	Total	769,121,640	100.00%	415,953,126	100.00%	353,168,514	100.00%

Pensions



The graph shows that the pensioners is steadily increasing. It is the old-age pensioners who are responsible for most of the growth, but the number of disability pensioners has also increased in recent years.

The table to the left shows the pension benefit payments made in 2020, grouped by type of pension and specified by gender. The amounts are in NOK. The gross amount shows the total amount paid by the Norwegian National Insurance Scheme and the Pension Scheme for the Pharmacy Sector. The net amount shows the Pension Scheme for the Pharmacy Sector's share.



The Pension Scheme for the Pharmacy Sector

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Reservation is made for any errors.