



2021

Annual Report

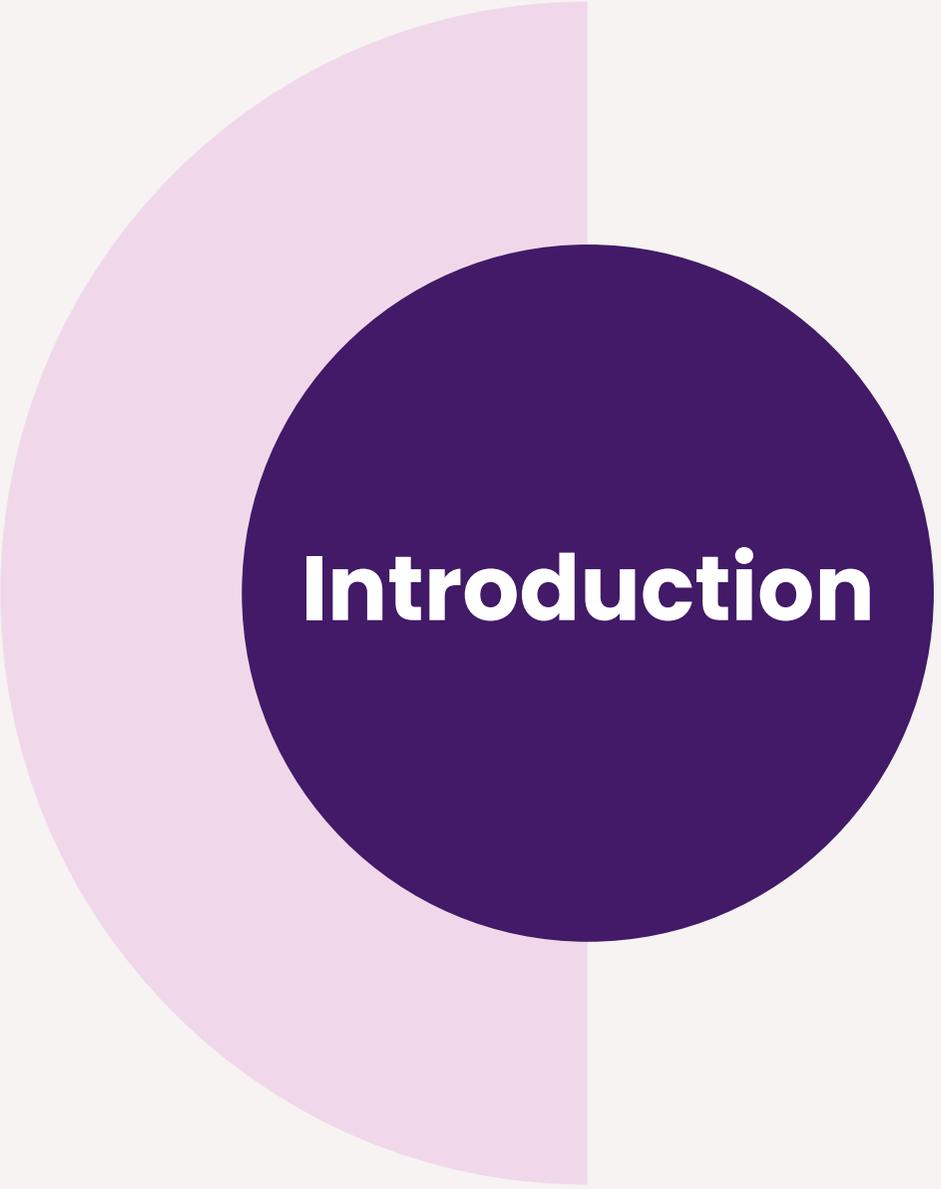


PENSJONSORDNINGEN
FOR APOTEKVIKRSOMHET



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Introduction

About the pension scheme

The Pension Scheme for the Pharmacy Sector (POA) 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 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 1,032 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 Ministry of Labour and Social Inclusion.

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 Norwegian Ministry of Labour and Social Inclusion 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 2021

- Chair: Tomas Berg – CEO of the Norwegian Public Service Pension Fund
- Kristin Juliussen – Director of Analysis and Investigation at the Spekter employers' association
- 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.

Key figures

Key figures 2021

		2021	2020	2019
Employers and members				
Employers in the pension scheme (number of pharmacies)	Number	1,032	988	960
Members	Number	22,781	23,606	22,321
Actively-employed members*	Number	8,780	8,380	7,812
Pensioners*	Number	6,179	6,030	5,739
Persons with entitlements from previous positions**	Number	7,822	9,196	8,770
Occupational pensions				
Accrued pension entitlements	NOK thousand	9,095,116	8,553,217	8,087,737
Pension premium	NOK thousand	812,640	771,483	767,634
Pensions paid	NOK thousand	387,169	353,169	337,619
Investment management				
Funds in the Pharmacy Scheme	NOK million	12,891	11,900	10,807
Annual return on funds (value-adjusted)	Per cent	5,6	6	6.5

*The number stated is the number of policies. A member may 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 the Pension Scheme for the Pharmacy Sector, but have pension entitlements with us. As from 2021, only people with over 1/2 qualifying years are included.

Investment management

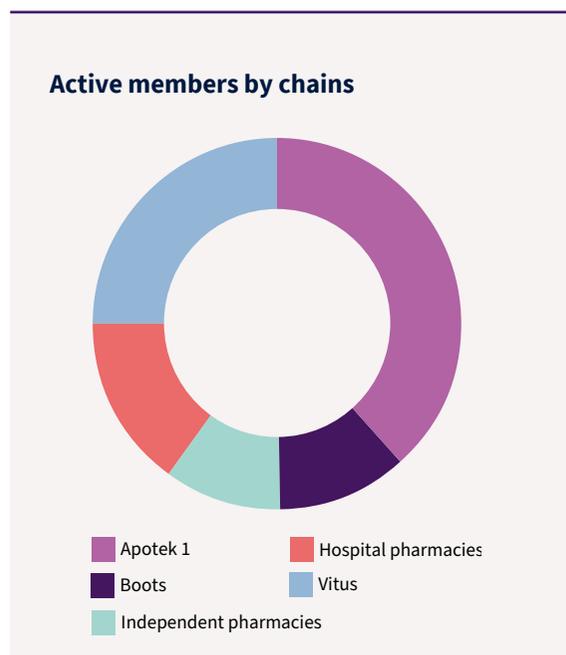


The assets of the Pension Scheme for the Pharmacy Sector are invested in available-for-sale and hold-to-maturity bonds, Nordic shares, real estate, foreign equity funds, speciality funds and loans to members.

Investment management resulted in a value-adjusted return of 5.56 per cent in 2021. The average return for the past ten-year period has been 5.30 per cent.

[Read more on page 29.](#)

Actively-employed members

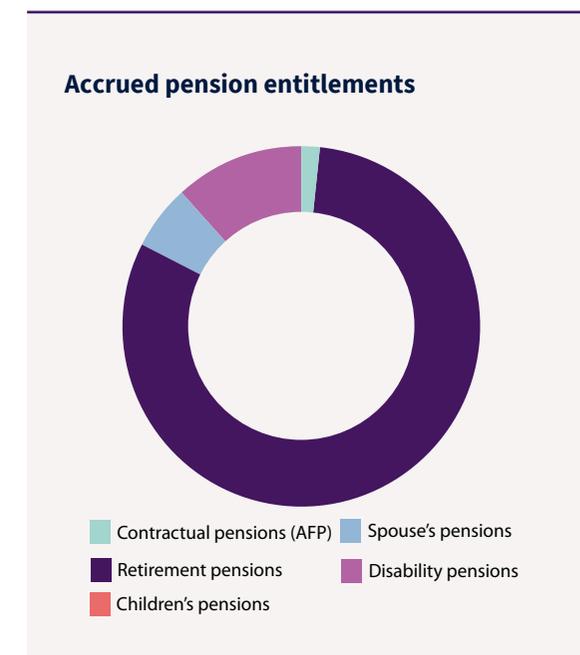


Actively employed	Independent pharmacies		Hospital pharmacies		Vitus
	Apotek 1	Boots	pharmacies	pharmacies	
Women	2,965	887	702	1,137	1,853
Men	416	119	197	178	326
Total	3,381	1,006	899	1,315	2,179
Change from 2020	57	6	160	50	127

The table shows the number of members in employment positions (active members) per chain, in total and by gender.

[For more statistics, see page 32.](#)

Pension



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

Accrued pension entitlements (in NOK thousand)	
Contractual pensions (AFP)	152,857
Retirement pensions	7,355,230
Children's pensions	19,453
Spouse's pensions	519,134
Disability pensions	1,048,442
Total	9,095,116

Accrued pension entitlements in the scheme increased by NOK 542 million from 31 December 2020 to 31 December 2021. Retirement pensions comprise 83 per cent of the total accrued entitlements of NOK 9.1 billion.

[Read more on page 27.](#)

The graphic features a large teal semi-circle on the left side of the page. Overlapping the right edge of this semi-circle is a solid purple circle. Centered within the purple circle is the text "Annual Report by the Board of Directors" in a bold, white, sans-serif font. The background of the entire page is a light gray gradient.

**Annual Report
by the Board of
Directors**

Annual Report 2021

for the Pension Scheme for the Pharmacy Sector

The Pension Scheme for the Pharmacy Sector (POA) achieved a profit of NOK 309 million in 2021. The time-weighted return on the total portfolio was 5.6 per cent. The solvency of the Pension Scheme for the Pharmacy Sector improved during 2021.

Organisation

The Pension Scheme for the Pharmacy Sector is managed by the Norwegian Public Service Pension Fund, Oslo. At the end of 2021, 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 members of the Board are appointed by the Norwegian Ministry of Labour and Inclusion. 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 Spekter Employers' Association, the Norwegian Association of Pharmacists and the Norwegian Association of Pharmacy

Technicians. As at 31 December 2021 the Board had five members: two women and three men. During the year the Board of the pension scheme held seven Board meetings and dealt with 54 items of business.

No insurance has been taken out for members of the Board or for the general manager for their possible liability towards the undertaking and any third parties.

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. POA supports SPU'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 2021, employees at 1,032 pharmacies were members of the pension scheme. This is an increase by 44 pharmacies from 2020. 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 8,780 actively contributing members and 6,179 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 2021, NOK 812.6 million was paid in premiums, compared with NOK 771.5 million in 2020. In addition, NOK 387 million was paid in pensions, compared with NOK 353 million in 2020. Invoiced, but not paid, premiums totalled NOK 216 million at year-end.

The premium rate was 18.1 per cent in 2021. 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.

The current old-age pension and the bereavement pension from the age of 67 were adjusted by 5.36 per cent in 2021, while the current disability pension was adjusted by 4.98 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.

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.

Insurance risk

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

The statement of technical reserves for 2021 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 was based on K1963, boosted by a factor of 2.5.

Profit

The profit for the year is NOK 309 million. Net profit related to financial assets stood at NOK 672 million. This includes changes in unrealised gains and losses. All the major asset classes have made net positive contributions to their returns for 2021.

Unrealised capital gains of NOK 206 million were allocated to the securities adjustment reserve in 2021. This has reduced the result for 2021 correspondingly.

In 2021, a total increase in pension liabilities (the premium reserve) of NOK 542 million was recorded. Growth in the total number of 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 309 million will be allocated to other retained earnings.

Financial position

As at 31 December 2021, the Pension Scheme for the Pharmacy Sector had assets totalling NOK 13,107 million.

Other retained earnings totalled NOK 2,651 million at year-end. This is an increase of NOK 309 million from 2020. The pension scheme calculates the solvency margin requirement based on the rules that apply to private pension funds. As at 31 December 2021, the calculated solvency margin requirement totalled NOK 318 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 2,333 million at the end of 2021. This is necessary buffer capital to cover random risks that are not covered by the premium. By comparison, free equity totalled NOK 2,043 million at the end of 2020.

As at 31 December 2021, NOK 1,295 million in net unrealised capital gains was allocated to the securities adjustment reserve. The securities adjustment reserve serves as a buffer against possible future falling market prices.

The buffer capital was strengthened during 2021. Together with the premiums paid, the return on the securities portfolio contributed to this strengthening. The return (time-weighted) of 5.6 per cent in 2021 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 binding capital requirements from the Norwegian Financial Supervisory Authority (Simplified Solvency Capital Requirements). The calculations are made under rules similar to those applying 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 2021, the buffer capital satisfies the capital requirement based on calculations of simplified solvency capital requirements using the transitional rule (solvency capital coverage of 203 per cent). Calculations show that the pension scheme also has a satisfactory financial position without recourse to the transitional rule (solvency capital coverage of 167 per cent).

Summary

The annual financial statements have been prepared according to the going concern assumption. As at 31 December 2021, the pension scheme had set aside technical reserves in accordance with the provisions of Norwegian 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 activities during 2021 and the scheme's financial position at year-end.

The Board considers the financial position at the end of the year to be 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, 7 April 2022



Kristin Juliussen



Greta Torbergson



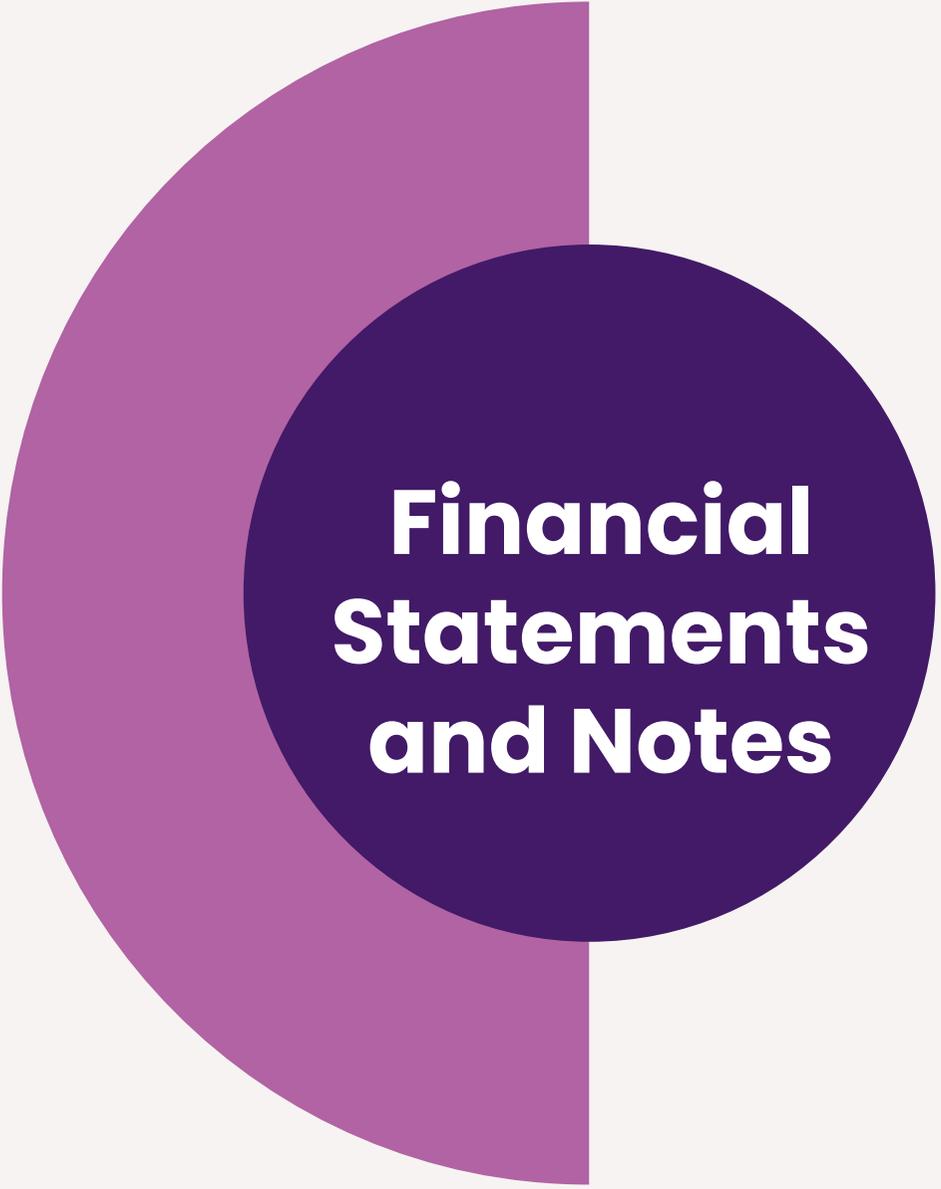
Tomas Berg (Chair)



Trond Teisberg



Kjell Morten Aune



**Financial
Statements
and Notes**

Financial statements

	Note	2021	2020
TECHNICAL ACCOUNTS			
Premium income			
Premium income	14	812,640,221	771,483,396
Net income from investments in the collective portfolio			
Interest income and dividends, etc. from financial assets		280,624,033	257,122,161
Net operating income from real estate fund		52,586,562	48,962,305
Value adjustments on investments		208,463,865	327,757,235
Realised profit and loss on investments		109,258,786	12,648,367
Total net income from investments in the collective portfolio	18	650,933,246	646,490,067
Insurance benefits			
Pensions paid	15	387,168,557	353,168,514
Recognised changes in insurance liabilities			
Change in premium reserve	12	542,116,000	465,000,000
Change in special liabilities	13	-9,959,894	-9,959,894
Change in securities adjustment reserve		206,267,678	331,246,805
Total recognised changes in insurance liabilities		738,423,784	786,286,911
Insurance-related operating costs			
Administrative costs	16	31,346,570	29,581,910
Insurance-related administrative costs	17	17,167,704	16,839,728
Total insurance-related operating costs		48,514,274	46,421,637
Technical result		289,466,851	232,096,401

	Note	2021	2020
Non-technical account			
Net income from investments in company portfolio			
Interest income and dividends, etc. from financial assets		8,879,710	8,123,839
Net operating income from real estate fund		1,663,982	1,546,976
Value adjustments on investments		6,596,365	10,355,572
Realised profit and loss on investments		3,457,246	399,628
Total net income from investments in the company portfolio	18	20,597,303	20,426,016
Other income			
Interest income on bank deposits, operations		105,172	162,115
Administrative costs and other costs linked to the company portfolio			
Administrative costs	16	1,036,492	1,001,219
Non-technical result		19,665,984	19,586,911
Comprehensive income		309,132,835	251,683,312
Transfers and allocations			
Allocated to/transferred from(-) other retained earnings	19	309,132,835	251,683,312
Total allocations		309,132,835	251,683,312

Balance Sheet/Assets

	Note	31.12.2021	31.12.2020
ASSETS IN COMPANY PORTFOLIO			
INVESTMENTS			
Financial assets valued at amortised cost			
Investments held to maturity	2	79,772,333	86,764,617
Mortgage loans	3	1,270,528	1,695,583
Total financial assets valued at amortised cost		81,042,861	88,460,200
Financial assets measured at fair value			
Shares and mutual funds	4, 7	92,827,131	91,175,119
Fixed-income securities	5, 7	121,990,848	132,100,567
Financial derivatives	6, 7	0	992,934
Bank deposits		4,493,804	3,819,921
Total financial assets at fair value		219,311,784	228,088,541
Total investments in company portfolio		300,354,643	316,548,740
Receivables			
Receivables related to premium income	9	215,734,095	183,486,344
Receivables from brokers		0	225,292
Total receivables		215,734,095	183,711,636
Other assets			
Bank deposits, operations	8	20,597,136	15,545,185
Prepaid expenses and accrued income			
Accrued non-invoiced premiums		7,400,000	6,700,000
Accrued dividends		3,083,577	3,820,563
Prepaid expenses		14,200	12,601
Total prepaid expenses and accrued income		10,497,777	10,533,164
Total assets in company portfolio		547,183,651	526,338,725

	Note	31.12.2021	31.12.2020
ASSETS IN CLIENT PORTFOLIO			
INVESTMENTS IN COLLECTIVE PORTFOLIO			
Financial assets valued at amortised cost			
Investments held to maturity	2	3,335,873,986	3,160,683,013
Mortgage loans	3	53,130,211	61,767,126
Total financial assets valued at amortised cost		3,389,004,197	3,222,450,139
Financial assets measured at fair value			
Shares and mutual funds	4, 7	3,881,792,109	3,321,349,887
Fixed-income securities	5, 7	5,101,343,792	4,812,192,267
Financial derivatives	6, 7	0	36,170,839
Bank deposits		187,919,331	139,153,042
Total financial assets at fair value		9,171,055,232	8,308,866,035
Total investments in collective portfolio		12,560,059,429	11,531,316,174
Total assets in client portfolios		12,560,059,429	11,531,316,174
Total assets		13,107,243,080	12,057,654,899

Balance sheet/equity and liabilities

	Note	31.12.2021	31.12.2020
Retained earnings			
Other accrued dividends	10, 13	2,650,507,997	2,341,375,162
Total retained earnings		2,650,507,997	2,341,375,162
Insurance liabilities			
Premium reserve	11	9,095,116,000	8,553,000,000
Special liability – for regulation of pensions	12	50,970,992	60,930,886
Securities adjustment reserve		1,295,112,008	1,088,844,330
Total insurance liabilities		10,441,199,000	9,702,775,216
Liabilities in company portfolio			
Financial liabilities measured at fair value			
Financial derivatives	6, 7	16,216	0
Expenses and income accrued			
Accrued expenses		3,887,201	3,134,342
Other current liabilities			
Liabilities to broker		409,867	0
Liabilities in client portfolios			
Financial liabilities measured at fair value			
Financial derivatives	6, 7	678,094	0
Expenses and income accrued			
Accrued expenses		10,544,704	10,370,179
Total equity and liabilities		13,107,243,080	12,057,654,899

The Pension Scheme for the Pharmacy Sector Statement of changes in equity

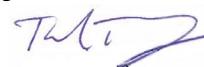
	Other accrued dividends	Total equity
Equity 31.12.2019	2,089,691,850	2,089,691,850
Added equity/profit on allocation	251,683,312	251,683,312
Equity 31.12.2020	2,341,375,162	2,341,375,162
Added equity/profit on allocation	309,132,835	309,132,835
Equity 31.12.2021	2,650,507,997	2,650,507,997

Oslo, 7 April 2022


Tomas Berg (Chair)


Kristin Juliussen


Greta Torbergsen


Trond Teisberg


Kjell Morten Aune

Cash flow statement

(Figures in whole NOK)	2021	2020
Premiums paid	779,665,821	793,975,064
Pensions paid	-387,168,557	-353,168,514
Change in mortgage loans	9,066,206	10,245,181
Interest and dividend payments		
Interest payments	252,605,969	232,141,322
Dividend payments	91,656,419	73,776,657
Payments relating to operations	-47,989,821	-47,769,344
Net cash flow from operating activities (A)	697,836,036	709,200,364
Realised gain on sale of investments	241,233,424	288,753,869
Realised loss on sale of investments	-127,218,338	-279 195 786
Net payments/disbursements on purchase/sale of investments	-757,358,999	-950 703 476
Net cash flow from investing activities (B)	-643,343,913	-941,145,393
Payment of other equity	0	0
Net cash flow from financing activities (C)	0	0
Net cash flow in the period (A+B+C)	54,492,123	-231,945,029
Cash and cash equivalents at 01.01	158,518,148	390,463,177
Cash and cash equivalents at 31.12	213,010,271	158,518,148

Notes

Note 1 | Accounting policies

As far as appropriate, the financial statements are presented in accordance with good accounting, the Norwegian Accounting Act and the Regulation of 20 December 2011 no. 1457 on the annual accounts of pension enterprises. The information in the notes is prepared in accordance with Chapter 5 of the Norwegian Annual Accounting Regulations.

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.

Mortgages are booked at nominal value as at the balance sheet date.

Financial assets measured at fair value

Shares and mutual funds

Investments in shares and mutual funds are valued at fair value as at the balance sheet date. Fair value is equivalent to the market value. Market value is based on the closing listed price in 2021.

Shares in real estate funds are included in shares and mutual funds. The mutual fund shares are assessed at market value as at the balance sheet date. 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 the balance sheet date in accordance with the industry standard.

Bonds

Investments in bonds are valued at fair value as at the balance sheet date. Changes in value are recognised in the income statement. Fair value is equivalent to the market value. Market value is equivalent to the tax assessment value for 2021.

Financial derivatives

Foreign currency forward contracts are valued at fair value as at the balance sheet date. Fair value is equivalent to the market value.

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 denominated in foreign currencies, are recorded using exchange rates as at the balance sheet date.

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 the balance sheet date. Accordingly, account has been taken of all potential pension benefits provided for in the Norwegian Act on the Pension Scheme for the Pharmacy Sector, both as 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. 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 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 assumed rates of disability were based on the K1963 calculation basis, 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 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 therefore do not include any tax charge.

Note 2 | Investments measured at amortised cost

Bonds classified as held to maturity

Figures in NOK thousands

Issuer	Par value	Cost price	Book value	Market value
Government-guaranteed	0	0	0	0
Banking/finance	568,687	568,495	568,598	608,791
Municipality/county	25,000	23,835	24,338	26,690
Industry	1,581,356	1,582,493	1,581,714	1,659,400
Energy	265,000	267,238	265,608	288,628
Bonds held to maturity:	2,440,043	2,442,061	2,440,257	2,583,510
Interest earned			46,794	46,794
Total book value	2,440,043	2,442,061	2,487,051	2,630,304
Of which proportion in the collective portfolio			2,428,966	
Proportion of above in the company portfolio			58,085	
Book value 1.1.2021:			2,564,823	
Additions 2021:			75,000	
Disposals 2021:			-151,717	
Accrued premium/discount for the year:			-288	
Change in interest earned 2021:			-767	
Book value 31.12.2021:			2,487,051	

Loans and receivables

Figures in NOK thousands

Issuer	Par value	Cost price	Book value	Market value
Government-guaranteed	0	0	0	0
Banking/finance	0	0	0	0
Municipality/county	70,000	70,000	70,000	70,525
Industry	857,000	855,212	855,811	613,400
Energy	0	0	0	0
Bonds held to maturity:	927,000	925,212	925,811	683,925
Interest earned			2,785	2,785
Total book value	927,000	925,212	928,595	686,710

Of which proportion in the collective portfolio 906,908

Of which proportion in the company portfolio 21,687

Book value 1.1.2021: 682,625

Additions 2021: 244,925

Disposals 2021: 0

Accrued premium/discount for the year: 571

Change in interest earned 2021: 474

Book value 31.12.2021: 928,595

Total investments measured at amortised cost

Of which proportion in the collective portfolio 3,335,874

Of which proportion in the company portfolio 79,772

Bonds held to maturity are traded in regulated marketplaces. All bonds are issued in NOK. The effective yield on bonds classified as held to maturity is 3.75 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 included in this portfolio is 3.75 per cent. The effective yield is calculated on the basis of the effective yield on each paper. The effective yield is weighted in relation to the relevant paper's nominal value and totalled. The difference between book and nominal value is recognised in the income statement over the remaining life of the bonds.

Note 3 | Mortgage loans

The pension scheme provides loans to its members. Mortgage loans are booked at nominal value on the balance sheet date. No losses have been written off in the last five years. Hence, no general provisions are made for possible loan losses.

Borrowers with mortgage 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 the balance sheet date, since the number of claims and the amounts relating to them have been low in recent years.

Specification of the loan portfolio:

	Housing loans
Number	91
Amount	54,708,899
First due date	-367,435
Interest earned	59,275
Total	54,400,739
Of which proportion in the collective portfolio:	53,130,211
Of which proportion in the company portfolio:	1,270,528

The interest rate for mortgage loans was reduced from 1.50 per cent to 1.30 per cent as from 1.9.2021.

Note 4 | Shares/mutual fund units

Shares

Company	Cost price	Book value
AF Gruppen Ord	8,460,832	19,360,000
Airthings As	13,124,066	10,752,012
Aker Bp Asa	9,070,104	10,864,000
Borregaard Asa	8,630,850	32,190,000
Dnb Asa	11,210,712	12,120,000
Elkem Asa	18,582,820	17,892,000
Elopak As	13,295,875	12,727,625
Europris Asa	15,507,629	35,250,000
Fjordkraft Holding	8,910,811	11,915,000
Hexagon Composites	11,974,688	15,060,400
Hexagon Purus	4,018,778	3,179,693
Kalera As	9,000,000	3,552,000
Lerøy Seafood Group	8,275,077	10,344,000
Norske Skog Asa	16,883,705	17,871,360
Orkla Asa	7,862,278	8,836,000
Pioneer Property Group Asa	12,500,000	13,000,000
Ringerike Sparebank	8,163,151	15,062,190
Seaway 7 Asa	5,004,459	4,268,219
Self Storage Group Asa	7,715,400	14,400,000
Sparebank 1 Sørøst-Norge	12,195,388	23,700,633
Sparebanken Midt Norge	13,457,222	17,880,000
Yara International	14,789,000	17,800,000
Total Norwegian shares	238,632,845	328,025,131
Autostore Holdings Ltd.	7,750,000	8,696,250
Carlsberg A/S - B	24,888,753	28,008,980
Dometic Group AB	11,634,470	19,697,763
Investor AB - B	14,622,124	36,383,609
Novo Nordisk A/S-B	15,687,392	39,622,380
Sampo Oyj-A	19,510,527	22,967,103
Sandvik Ab	8,150,321	15,993,748
Skf Ab, Serie B	11,059,741	10,447,223
Subsea 7 S.A	23,904,657	13,583,700
Upm-Kymmene Oyj	15,755,066	18,447,903
Volvo Ab-B	18,824,931	28,590,809
Total foreign shares	171,787,982	242,439,468
Total individual shares	410,420,826	570,464,599

Equity funds

Fund	Cost price	Book value
BlackRock World Index Fund	240,337,679	950,981,490
iShares Emerging Markets Index Fund (IE)	67,398,256	93,040,712
Total foreign equity funds	307,735,934	1,044,022,202

Hedge funds/Speciality funds

Fund	Cost price	Book value
Archmore Infrastructure Debt Platform SCA	50,788,666	56,783,927
Cheyne Real Estate Credit (Crech) Fund Iv	82,529,625	94,669,723
Cheyne Real Estate Credit (Crech) Fund V	63,292,422	74,933,737
Pareto Real Estate Credit Fund	409,867,723	409,117,790
QVT A-1769	1,034,533	1,553,774
Sector Healthcare Fund Class A	20,402,707	39,880,529
Total foreign hedge funds/speciality funds	627,915,676	676,939,480

Real estate funds

Fund	Cost price	Book value
DEAS Eiendomsfond Norge I AS	3,175,833	4,082,741
DEAS Eiendomsfond Norge I IS	306,296,790	404,209,974
Pareto Eiendomsfelleskap AS/IS	427,763,408	699,118,203
Union Core Real Estate Fund AS	5,000,000	5,756,774
Union Core Real Estate Fund IS	495,000,001	570,025,267
Total real estate funds	1,237,236,031	1,683,192,959

Total shares and mutual funds **2,583,308,468** **3,974,619,240**

Of which proportion in the collective portfolio **2,522,975,365** **3,881,792,109**

Of which proportion in the company portfolio **60,333,103** **92,827,131**

The portfolio of individual shares consists of shares listed on 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 on the management of individual shares.

The BlackRock World Index Subfund mirrors the index of shares in developed markets. iShares Emerging Markets Index Fund mirrors 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 2021 has, as previously, been the Global Hedge Fund Index.

Real estate investments consist of units in DEAS Eiendomsfond Norge I IS/AS (formerly Aberdeen), Pareto Eiendomsfelleskap AS/IS og Union Core Real Estate Fund IS/AS. The investments are posted at market value on the balance sheet date. The market value of the units is calculated based on independent valuations of the properties.

Note 5 | Bonds

Issuer	Cost price	Market value
Banking and finance	1,368,412,410	1,367,235,353
Municipality/county	968,601,800	962,265,178
Government-guaranteed	956,661,500	921,333,875
Industry	1,256,690,418	1,250,992,138
Energy	78,943,750	78,667,615
Subordinated loans	607,646,777	613,186,867
Total fixed-income securities classified as financial current assets	5,236,956,655	5,193,681,026
Interest earned		29,653,613
Total	5,236,956,655	5,223,334,640

Of which proportion in the collective portfolio 5,101,343,792

Of which proportion in the company portfolio 121,990,848

The fixed-income securities portfolio classified as financial current assets consists of fixed-income securities listed on the Oslo Stock Exchange, Oslo ABM and Nordic Nasdaq (Stockholm), as well as unlisted securities. All fixed-income securities classified as financial current assets are denominated in NOK, with the exception of four securities denominated in USD, four securities denominated in EUR and five securities denominated in SEK. Fixed-income securities issued in foreign currencies are currency hedged. The current effective yield is approximately 2.0 per cent for securities at variable interest rates and approximately 2.1 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 2021, investments were made in the following derivatives:

Currency purchased	Currency sold	Nominal amount in NOK	Fair value in NOK
NOK	EUR	-403,225,803	3,826,636
NOK	USD	-823,251,027	-3,667,981
NOK	GBP	-260,196,825	-8,129,760
NOK	SEK	-240,701,864	5,979,270
NOK	DKK	-66,160,800	1,297,525
Total foreign currency forward contracts		-1,793,536,319	-694,310
Of which proportion in the collective portfolio (liabilities)			-678,094
Of which proportion in the company portfolio (liabilities)			-16,216

In addition to hedging currency exposure using foreign exchange futures, in 2021 POA undertook hedging of the foreign equity investments using stock options. These hedging arrangements were recognised in the financial statements at around NOK 14.9 million in 2021.

Note 7 | Financial instruments measured at fair value

In accordance with the Norwegian 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 regulation 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 made for these prices.
2. Fair value is measured using other observable input than the listed prices used in level 1, either directly (prices) or indirectly (derived from prices).
3. Fair value is measured using input which is not based on observable market data (non-observable input).

Fair value hierarchy of financial instruments measured at fair value:

	31.12.2021	Level 1	Level 2	Level 3
Shares and mutual funds	3,974,619,240	570,464,599	1,044,022,202	2,360,132,439
Fixed-income securities	5,223,334,640		5,223,334,640	
Financial derivatives	-694,310		-694,310	
Total	9,197,259,570	570,464,599	6,266,662,532	2,360,132,439

Note 8 | Bank deposits

Of bank deposits related to operations of NOK 20,597,136 as at 31 December 2021, NOK 259,031 concerns 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 2021, there are no such locked-in bank deposits.

Note 9 | Receivables related to premium income -- loss on receivables

Receivables had a book value of NOK 215,734,095 and consisted of:

	31.12.2021	31.12.2020
Receivables related to premium income:	215,986,399	183,717,036
Receivable related to loans:	374,003	400,652
Provision for potential loss:	-626,307	-631,344
Total accounts receivable:	215,734,095	183,486,344

Receivables are posted at nominal value on the balance sheet date. Provision has been made for possible losses on receivables. Book losses on receivables are specified as follows:

	2021	2020
Realised loss on receivables:	0	0
Change in provision for potential loss:	-5,037	370,703
Recorded loss on receivables:	-5,037	370,703

Note 10 | Solvency margin requirements

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 Norwegian Ministry of Labour and Social Inclusion applicable as from 2011. As at 31 December 2021, the solvency margin requirement is estimated to amount to NOK 318,370,096. The basis for calculation of the solvency margin requirement is as follows (figures in whole 1,000):

	Calculation basis	Calculation factor	Calculated solvency margin requirement
Premium reserve for retirement pensions:	7,526,478	4.00%	301,059
Mortality risk (uncovered risk, gross):	243,358	0.30%	730
Disability pension and premium exemption (gross risk premiums):	63,773	26.00%	16,581
Total solvency margin requirement as at 31 December 2021:			318,370

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, in total NOK 3,627,249,910. This constitutes the scheme's buffer capital.

For comparison, the calculation basis for the solvency margin requirement as at 31.12.2020 was as follows (figures in whole 1,000):

	Calculation basis	Calculation factor	Calculated solvency margin requirement
Premium reserve for retirement pensions:	7,044,752	4.00%	281,790
Mortality risk (uncovered risk, gross):	221,346	0.30%	664
Disability pension and premium exemption (gross risk premiums):	58,267	26.00%	15,149
Total solvency margin requirement as at 31 December 2020:			297,603

Note 11 | 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 the balance sheet date. 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 provision amount 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 by a 15 per cent safety margin for both genders. In addition, previously released deposits after change of disability pension are allocated in the premium reserve at NOK 244 million. The provision is linked to an expected increased reserve requirement on the introduction of a new mortality basis (K2013) in 2022.

The assumed rates of disability were based on K1963, boosted by a factor of 2.5.

The administration reserve takes account of the 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 12 | 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 for 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 2021 totalled NOK 50,970,992.

Note 13 | 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 2021 amounts to NOK 1,798 million (NOK 1,606 million as at 31 December 2020). The buffer capital exceeds the simplified solvency capital requirement by NOK 1,852 million (NOK 1,480 million in 2020). This gives a solvency capital ratio of 203 per cent (192 per cent in 2020). 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 11/16 parts.

Without using the transitional rule, the buffer capital is estimated to exceed the simplified solvency capital requirement by NOK 1,200 million (NOK 449 million in 2020). This gives a solvency capital ratio of 167 per cent (128 per cent in 2020).

Note 14 | Premium contributions

Members contributed premium income totalling NOK 779,665,821 in 2021. By comparison, the book value of premium income was NOK 812,640,221. In 2020, members contributed premium income totalling NOK 793,975,064, while the book value of premium income was NOK 771,483,396. 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 15 | Pensions

Of the pension costs in the income statement, NOK 436,810 represents write-offs of pension benefit overpayments. The corresponding figure for 2020 was NOK 891,817.

Note 16 | Administrative costs

Total administrative costs amounted to NOK 32,383,062 (NOK 30,583,129 in 2020). The pension scheme had three employees in 2021. Pay and social security expenses for these three investment managers totalled NOK 10,264,930 in 2021 and are included in administrative costs.

Note 17 | Insurance-related administrative costs

The pension scheme is managed by the Norwegian Public Service Pension Fund. In 2021, NOK 16,537,102 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 16,437,565 in 2020). Furthermore, NOK 339,186 was charged against income for audit services, including value added tax (NOK 334,191 in 2020). The entire amount was related to standard audit services. NOK 376,835 was charged against income for remuneration to Board members (NOK 350,719 in 2020). Various other costs, cost reimbursements and interest income from customers total NOK -85,419 in net terms (NOK -282,747 in 2020). The total insurance-related administrative costs were NOK 17,167,704 (NOK 16,839,728 in 2020).

In 2021, the following remuneration was paid to the Board members of the scheme:

Tomas Berg (Chair)	75,367
Trond Teisberg	75,367
Greta Torbergsen	75,367
Kristin Juliussen	75,367
Kjell Morten Aune	75,367
Total	376,835

Note 18 | Return on capital

The calculated return on the total portfolio is as follows:

Year:	2021	2020	2019	2018	2017
Return stated in percentage terms (value-adjusted):	5.56	5.96	6.52	1.75	5.12
Return stated in percentage terms (recognised):	3.85	3.05	3.12	3.08	2.63

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 are required to calculate the return on capital for the collective portfolio as a whole.

Note 19 | Analysis of result

Amounts in NOK million	2021	2020
Changes in pension plan:	0.00	0.00
Interest result ¹⁾ :	406.91	496.51
Risk result ²⁾ :	-4.61	-69.47
Other result ³⁾ :	113.32	215.29
Administration result:	0.00	0.00
Insurance result:	515.62	642.33

- 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 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) 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

Opinion

We have audited the financial statements of Pensjonsordningen for Apotekvirksomhet (the Pension fund), which comprise the balance sheet as at 31 December 2021, the income statement, statement of cash flows and statement of 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 comply with applicable legal requirements and give a true and fair view of the financial position of the Pension fund as at 31 December 2021 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 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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 annual report other than the financial statements and our auditor's report thereon. The Board of Directors are responsible for the other information. Our opinion on 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 board of directors' report contains the information required by legal requirements and 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 or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

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

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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 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 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 the board of directors 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.

Oslo, 19 April 2022
ERNST & YOUNG AS

Johan-Herman Stene
State Authorised Public Accountant (Norway)

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

Independent auditor's report – Pensjonsordningen for Apotekvirksomhet 2021

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Insight

Pension liabilities

The pension scheme's premium reserve is estimated at NOK 9,095 million as at 31 December 2021. There is an increase of NOK 542 million compared to 31 December 2020.

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) probability of survival and of 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 2021, no changes have been made to the actuarial requirements. This means that the calculations have been made using the mortality tariff K2005, strengthened by 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 of the scheme 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 515 million

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

Interest result NOK 407 million

The interest result is positive, which means that the return (5.56 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 assets is currently around NOK 3.9 billion higher than the premium reserve.

Risk result NOK -5 million

The risk result is negative at NOK 5 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.

In total, reserve transactions amounting to NOK 49 million were carried out as a result of disability. This is taken from the at-risk community. NOK 25 million is returned to the at-risk community for reserve transactions resulting from death. Overall, a NOK 24 million premium reserve is thereby obtained as a consequence of risk events. On the other hand, NOK 20 million in risk premium was added in 2021, including life gains. The risk result is thereby negative at NOK -5 million.

Other result NOK 113 million

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 (POA), 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 2021 stood at NOK 3.9 billion. This represents an increase of NOK 515 million in 2021, as the total of the three aforementioned results.

It is primarily premium income and several years of good returns that 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, and
- 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 has been presented with the solvency requirement amounts for each quarter in 2021.

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. For POA, the highest buffer capital utilisation with no transitional rule was 72 per cent at the end of Q2, but ended at 60 per cent at year-end. The yield curves from Eiopa are used to recalculate the premium reserve to "fair value."

Investment management

In 2021, investment management delivered a solid total return of 5.56 per cent. Assets under management increased by around one billion during the year and amounted to NOK 12.9 billion at the end of 2021.

The investment management of the Pension Scheme for the Pharmacy Sector (POA) must contribute to ensuring that the scheme can meet its long-term obligations without excessive variations in the premium, while at the same time achieve as high a return as possible within available risk capacity.

The Pension Scheme for the Pharmacy Sector's investment strategy has been adopted by the Board of Directors. The risk level in the investment portfolio must be such that the scheme has at least a 99 per cent probability of fulfilling the statutory capital requirements. The level of risk is set to protect and preserve the buffer capital, and also to enable the pension scheme to maintain a satisfactory portfolio composition even in periods with substantially falling prices in the capital markets.

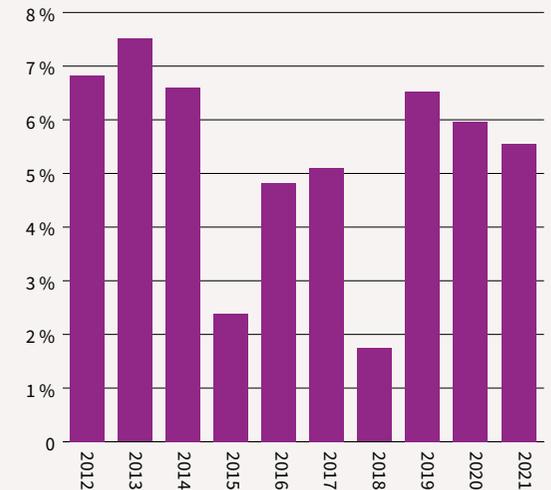
Throughout 2021, as in previous years, POA has maintained a moderate level of risk in its investment portfolio.

Results

The time-weighted return for 2021 was equivalent to the value-adjusted return of 5.56 per cent.

After falling significantly at the start of 2020, the stock markets again entered a period with good value development, which continued during 2021. The Norwegian

Annual return



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

property market also showed a strong development during the past year. As a consequence, equity and real estate investments made by far the largest contributions to the result in 2021. Equity investments gave a return of 16.01 per cent in 2021, while the property portfolio delivered a record-high return of 14.05 per cent in 2021. This is by far the best result POA has achieved for its property portfolio in the last ten years.

Throughout 2021, the Norwegian fixed-income market was largely characterised by rising interest rates. As a result, POAs fixed-interest rate bonds gave negative yields for the year as a whole. This applied both to bonds purchased with a view to duration hedging, and to bonds included in the current portfolio. Bonds at variable interest rates and high-yield corporate bonds, on the other hand, contributed to a positive yield in 2021. All in all, the current fixed-income portfolio gave a return of 1.85 per cent for the year.

POA also has a significant proportion of its investments placed in bonds that are booked at amortised cost. These bonds gave a return of 3.90 per cent for 2021, and also made a good contribution to the development in the profit for the year.

The chart on the previous page shows the annual time-weighted return on the funds over the past 10 years.

POA did not have negative returns for any of the years during this period. The average return for the ten-year period is 5.30 per cent.

Asset allocation

At the end of the year, the pension scheme managed funds totalling NOK 12.9 billion. The portfolio increased by more than NOK 1 billion during 2021. In addition to a good contribution margin, ongoing excess liquidity in the scheme also contributed to the growth in the funds.

Management has a continuous focus on identifying the investment opportunities offering optimum utilisation of the risk capacity. POA has significant interest rate risk associated with its insurance liabilities, and therefore in 2020 established a new duration hedging portfolio for long-term fixed-yield investments with long duration and low risk. In line with the investment plan, the investments for the duration hedging portfolio increased somewhat during 2021. POA also increased investments in speciality funds and property during 2021.

In the investment plan for 2022, in line with the management's recommendation the Board decided to maintain the risk level from 2021 into 2022.

Asset allocation



The chart shows strategic allocations in the various asset classes at the beginning of 2022.

Statistics

Members

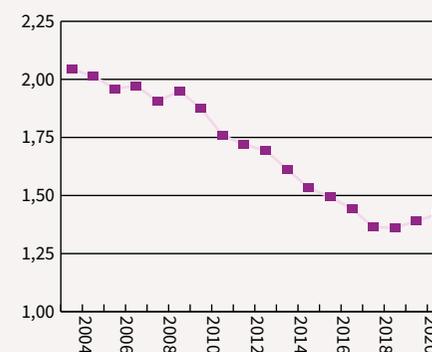
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actively employed	7,125	7,274	7,422	7,585	7,645	7,704	7,527	7,812	8,380	8,780
Deferred (former members)*	6,386	6,564	6,767	7,175	7,522	7,925	8,331	8,770	9,196	7,822
Pensioners	4,144	4,295	4,600	4,951	5,121	5,338	5,517	5,739	6,030	6,179
AFP	295	312	310	293	269	264	288	273	271	310
Retirement pensions	2088	2202	2513	2955	3165	3368	3484	3693	3,916	3,975
Disability pensions	1401	1422	1415	1335	1309	1329	1354	1366	1,431	1,468
Spouse's pensions	336	338	343	342	352	348	360	374	380	394
Children's pensions	24	21	19	26	26	29	31	33	32	32
Ratio actively employed/pensioners	1.719	1.694	1.613	1.532	1.493	1.443	1.364	1.361	1,390	1,421
Ratio actively employed/pensioners and deferred	0.677	0.670	0.653	0.626	0.605	0.581	0.544	0.538	0.550	0.627

* If you have previously been employed by an employer offering an occupational pension in the Pension Scheme for the Pharmacy Sector, you may have accrued pension entitlements for a future pension. As from 2021, only people with over 1/2 qualifying years are included.

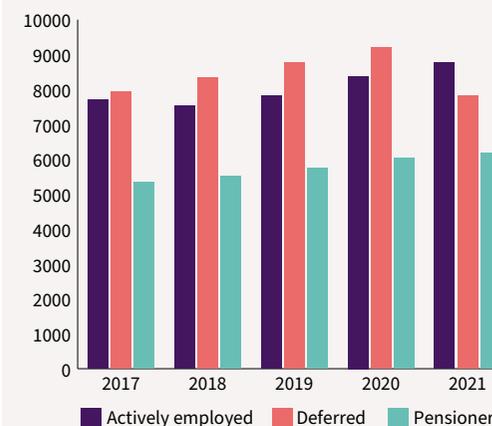
All the figures given are the number of policies. A person can have more than one policy. For example, a person can receive a partial disability pension and work partly in an active position. The person will then have two policies corresponding to these circumstances.

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 2012 to 2021. In 2012, there were more than 1.7 active members per pensioner in the scheme, while at the end of 2021 there were 1.4 active members per pensioner. This is a declining trend, as also evidenced in the 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



Development in number of members

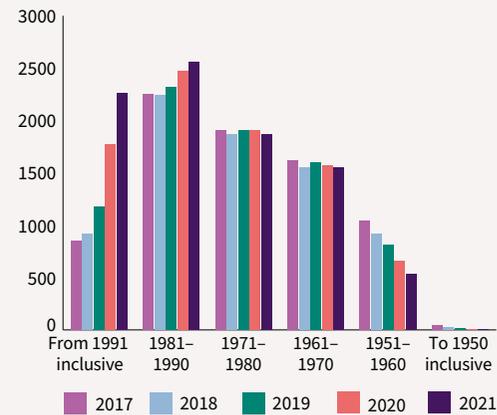


Actively-employed members

Position title	2021	Change from 2020
Pharmacy manager	1,072	72
Pharmacist (Master)	1,542	117
Pharmacist (Bachelor)	1,701	42
Pharmacy technician	4,284	136
Office/Driver/Cleaning	181	33
TOTAL	8,780	400

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

Actively-employed members by year of birth



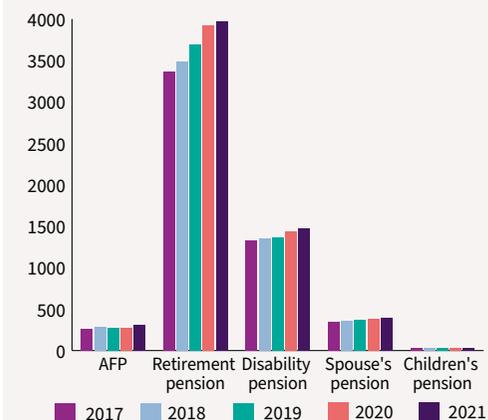
The graph shows the development in the number of actively employed members by year of birth from 2017 until today. The older age groups are moving out of the scheme, while the younger ones are entering

Pensions paid 2021

Type of pension		Gross paid	%	Coordination deduction	%	Net paid	%
Retirement and AFP pension	Men	105,144,576	12.55%	63,527,282	14.10%	41,617,294	10.75%
	Women	622,488,492	74.31%	367,009,715	81.46%	255,478,777	65.99%
	Total	727,633,068	86.86%	430,536,997	95.56%	297,096,071	76.74%
Disability pensions	Men	3,444,756	0.41%	67,204	0.01%	3,377,552	0.87%
	Women	66,287,808	7.91%	1,280,410	0.28%	65,007,398	16.79%
	Total	69,732,564	8.32%	1,347,614	0.30%	68,384,950	17.66%
Spouse's pension	Men	20,747,100	2.48%	10,777,793	2.39%	9,969,307	2.57%
	Women	17,886,372	2.14%	7,876,789	1.75%	10,009,583	2.59%
	Total	38,633,472	4.61%	18,654,583	4.14%	19,978,889	5.16%
Children's pensions	Men	934,764	0.11%	-11,082	0.00%	945,846	0.24%
	Women	753,864	0.09%	-8,937	0.00%	762,801	0.20%
	Total	1,688,628	0.20%	-20,019	0.00%	1,708,647	0.44%
All pensions	Men	130,271,196	15.55%	74,361,197	16.51%	55,909,999	14.44%
	Women	707,416,536	84.45%	376,157,978	83.49%	331,258,558	85.56%
	Total	837,687,732	100.00%	450,519,175	100.00%	387,168,557	100.00%

The table shows the amount of pension benefit payments made in 2021, grouped by type of pension and specified by gender. The amounts are in NOK. The gross amount shows the total amount paid by the National Insurance Scheme and the Pension Scheme for the Pharmacy Sector. The net amount shows the Pension Scheme for the Pharmacy Sector's share.

Pensions



The graph shows the development over the last five years in the number of pensions. 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.

Pension Scheme for the Pharmacy Sector

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