
Pensjonsordningen
for apotekvirksomhet
Annual report
2012

Contents

Introduction

In 2012, the Pension Scheme for the Pharmacy Sector achieved returns on investments of 6.82 per cent. This is significantly better than the return of a comparable benchmark portfolio. Together with measures implemented by the Board, the high returns have helped to improve the scheme's equity situation throughout 2012.

However, at the start of the year there was little to indicate that the year-end would turn out so well. Yields on risk-free investments in the financial markets were low. And the scheme's buffer capital had been weakened during 2011 due to high salary increases, more actively-employed persons with high salaries and more and more expensive payments of disability pensions. At that time, it was therefore crucial for the Board to take steps to improve a challenging financial situation.

Measures in the form of a premium increase as well as a modest adjustment of pensions were therefore implemented in order to strengthen the buffer capital. Moreover, 2012 was the first year in which the estimated cost for the drawing of contractual pensions (AFP) was no longer covered by the pension premium, but instead was collected from the member organisations upon the drawing of AFP. These actions to improve the equity situation made it possible for the Board to adopt an investment strategy with a moderate risk level in the investment portfolio, in order to increase return expectations.

The strategy was a success. At the same time, the stock markets rose sharply in the second half of 2012, and we were therefore able to enter 2013 with an improved equity situation for the scheme. The pension scheme's assets under management increased by NOK 517 million throughout 2012, and the scheme now has NOK 5,809 million under management.

Future expectations

Continued strong growth in salaries combined with low interest rates create challenges, and adequate returns can only be achieved by taking on a certain level of risk. Maintaining an investment strategy that combines a well-diversified portfolio with a risk level that is fit for the scheme will be important in 2013 and beyond as well.

Increased pension liabilities

Increasing life expectancies and salary levels result in increased pension liabilities, for the Pension Scheme for the Pharmacy Sector and other pension providers both. In recent years, the scheme's liabilities have also been increasing due to a higher incidence of, and more expensive, disability cases. Thus, to ensure sufficient accruals for future disability cases, the disability tariff was strengthened from 2012.

Changes in the pensions market

New pension legislation was introduced in Norway in 2011. "The pension reform" inflicts the entire pensions system. Changes in the National Insurance require adaptations within the occupational pension schemes in both the private and public sectors. A lot of the detail regulations are already in place, but not everything has been clarified yet.

You can read more about the changes and how they influence the Pension Scheme for the Pharmacy Sector in the annual report.

About the pension scheme

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

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

This means that dispensing pharmacists and permanent employees in pharmacies who work an average of at least 15 hours a week are both entitled to and obliged to become members of the pension scheme.

In addition to the employees at 738 pharmacies, the scheme has members from certain other businesses which are closely associated with the pharmacy sector and who have applied for membership.

Administration

The Act on the Pension Scheme for the Pharmacy Sector stipulates that the scheme shall be managed by the Norwegian Public Service Pension Fund in accordance with regulations issued by the Ministry of Labour.

Key figures 2012

Customers and members		**2012**	**2011**
Pharmacies in the pension scheme	*Number*	738	707
Members	*Number*	17,655	16,737
Actively-employed members*	*Number*	7,125	6,689
Pensioners*	*Number*	4,144	3,803
Persons with entitlements from previous positions**	*Number*	6,386	6,245
Occupational pensions			
Accrued pension entitlements	*Thousand NOK*	5,412,346	4,966,839
Pension premium	*Thousand NOK*	482,303	326,730
Pensions paid	*Thousand NOK*	231,916	227,840
Investment management			
Funds in the Pharmacy scheme	*Million NOK*	5,809	5,305
Annual return	*Per cent*	6.8	2.5

** The number stated is the number of policies. A member can have more than one policy. For example, a member who receives a partial disability pension from the pension scheme and works partly in an active position will have two policies which correspond to the two positions respectively.*
*** Members who no longer work in an organisation linked to the Pension Scheme for the Pharmacy Sector, but who have pension entitlements with us (also called deferred pensions).*

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

Board of Directors 2012

- Finn Melbø (Chairman), CEO of the Norwegian Public Service Pension Fund
- Kim Nordlie, Senior Advisor in Virke
- Stein Gjerding, Chief Economist in Spekter
- Edvin Alten Aarnes, Secretary General of the Norwegian Association of Pharmacists
- Kjell Hundven, Special Advisor to the Norwegian Association of Pharmacy Technicians

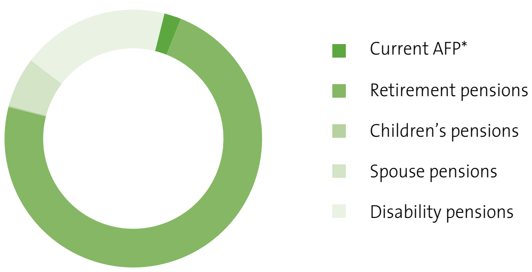
PENSIONS

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

INVESTMENT MANAGEMENT

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

Accrued pension entitlements



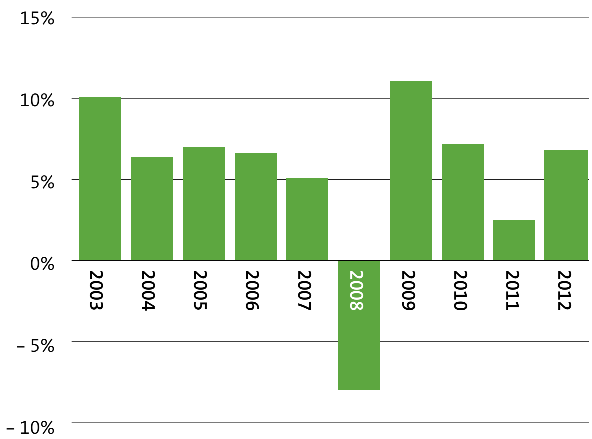
AFP (current AFP*)	*Thousand NOK*	115,727
Retirement pensions	*Thousand NOK*	3,946,694
Children's pensions	*Thousand NOK*	9,075
Spouse pensions	*Thousand NOK*	339,140
Disability pensions	*Thousand NOK*	1,001,709
Total		**5,412,346**

** current AFP are contractual pensions currently paid out.*

Accrued pension entitlements in the scheme increased by NOK 446 million from 2011 to 2012. Retirement pensions comprise 73 per cent of the total accrued entitlements of NOK 5,412 million.

Read more on page 11.

Returns over the past 10 years



As at 31.12.2012 the funds totalled NOK 5.8 billion. In 2012, the return on the funds was 6.8 per cent, while the return on the comparable reference index was 4.9 per cent.

Read more on page 12.

The pension system

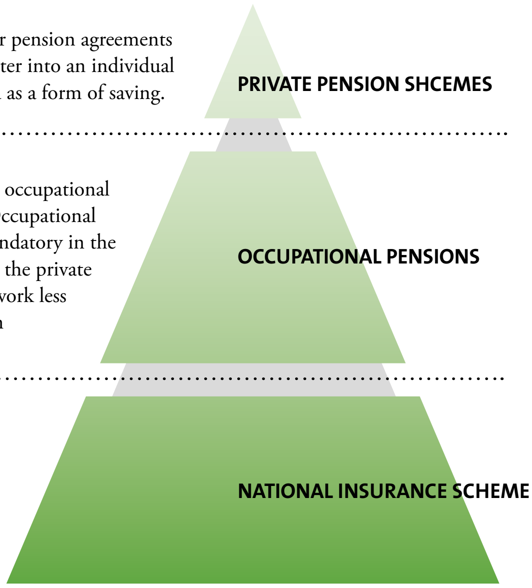
Private or public sector? Defined contribution or defined benefit? Many questions arise for those trying to navigate the Norwegian pension market. A short introduction to this market follows.

The Norwegian pension system is based on three main "levels" of pension. These are the National Insurance Scheme, various occupational pension schemes, and different forms of personal saving plans specifically constructed for retirement.

Private pension schemes
Any individual who wishes to increase their pension benefits can enter into voluntary savings or pension agreements to increase their future pensions. It is possible, for example, to save in a unit trust scheme or enter into an individual pension agreement with a bank or insurance company. Repayment of debt can also be regarded as a form of saving.

Occupational pensions
A pension created by an employer for the benefit of an employee is commonly referred to as an occupational pension. An occupational pension is accrued for a person that is in employment. Mandatory Occupational Pension (OTP) was introduced in Norway in 2006. Previously, occupational pensions were mandatory in the public sector and optional in private enterprises. As a result, a large proportion of employees in the private sector were not part of an occupational pension scheme. Today, it is primarily employees who work less than 20 per cent of a full position, employees in sole proprietorships and freelancers without an employment contract who do not have an occupational pension plan.

National Insurance Scheme
National Insurance is a mandatory insurance and pension scheme for all persons resident in Norway. It is managed by the Norwegian Labour and Welfare Service (NAV), and financed through contributions from the Norwegian Exchequer. National Insurance was introduced in Norway in 1967.



Occupational pensions

Today, approximately 2,230,000 Norwegians have an occupational pension scheme through their employer.

There are basically two types of registered pension plans: defined benefit and defined contribution plans. Private companies can choose either a defined benefit or a defined contribution pension plan, while public sector employers only offer defined benefit pension plans.

Private sector
Approximately 1,400,000 employees in the private sector had an occupational pension plan at the end of 2011. Approximately 300,000 of these had a defined benefit pension, and the rest had a defined contribution pension. Life-insurance companies are the main suppliers in the private sector market, with DNB Liv and Storebrand as the two largest companies.

Public sector
Approximately 830,000 employees who had an occupational pension at the end of 2011 worked in the public sector, i.e. those working for the government, county municipalities, local authorities, the health service and companies partly or wholly owned by the government. The two largest suppliers of occupational pensions in the public sector are the Norwegian Public Service Pension Fund (SPK) and Kommunal Landspensjonskasse (KLP).

Differences between defined benefit and defined contribution plans
In a defined benefit plan, the pension amount is equivalent to an agreed percentage of the final salary for the combined pension from the National Insurance Scheme and the occupational pension scheme. The pension can be calculated either as a gross or a net pension. In the private sector, occupational pensions are net pensions, i.e. the pension is not co-ordinated with the National Insurance Scheme. However, in the public sector, retirement and disability pensions are gross pensions. Payments from the occupational pension scheme are co-ordinated with the National Insurance Scheme so that the total pension constitutes 66 per cent of the contribution base.

In a defined contribution plan, the annual premium is determined as a percentage of the employee's salary. The size of the pension is therefore dependent upon the contributions paid and the return on the scheme's assets.

There are also differences between the plans in terms of coverage. The Mandatory Occupational Pension Act stipulates that premiums and deposits are not required in cases of disability and occupational injuries. However, there are no requirements for disability pensions and dependents' pensions, and such supplementary coverage is not widespread in the private defined contribution market.

In addition to retirement pensions, public sector occupational pension schemes as a rule also offer disability pensions, dependents' pensions and occupational injury insurance. Some also include group life insurance and mortgages.

	Defined benefit pension	**Defined contribution pension**
Size of the pension	The pension amount is an agreed percentage of final salary for the combined pension from National Insurance and the occupational pension scheme. 66 per cent of salary is the most common benefit amount.	The pension amount depends on the total of the amount the employer pays in and the return on the funds deposited. There is no connection between defined contribution occupational pensions and National Insurance.
The employer's share of the premium	Employers pay an annual premium to finance the future pension liabilities. The premium is calculated on the basis of the content of the pension agreement, for example the size of the guaranteed payment percentage and the scope of the benefit in the case of disability and death.	The employer pays in a fixed amount or a percentage of the employee's salary. The minimum requirement is two per cent.
The employee's share of the premium	As a rule, the employee has a percentage of salary deducted, usually two per cent. The employee receives his/her agreed pension, regardless of the current financial market conditions.	Employees rarely make payments to a defined contribution scheme.
Risk	The employer bears the risk.	The employee bears the risk should the return on capital be lower than expected.
Upon death	Mortality cross subsidy, i.e. the holdings fall to the scheme. Public sector occupational pensions include spouse and children's pension.	Accumulated capital falls to the beneficiaries.

The pension system in transition

New pension rules were introduced in Norway in 2011. "The pension reform" affects the entire pensions system. Much is already in place, but not all the detail regulations have been clarified yet.

The National Insurance pension reform was introduced because the Norwegian pension system was no longer sustainable. People are living longer, and the number of older citizens in Norway is increasing while the number of young people is decreasing. It was deemed necessary to curb pension costs and establish a new, sustainable pension system.

1) All years in which you are in employment or receive other pensionable income, from when you ar 13 years of age until you reach 75, count towards the accrual of National Insurance retirement pensions.
2) From 2011, retirement pension will be allocated based on the number of years your cohort are expected to live.

New National Insurance rules

The rules for the new accrual model and retirement pension from National Insurance entered into force on 1 January 2011. More choices, greater possibilities to combine work and pensions, accrual for all years[1] and age adjustment[2] are measures that encourage us to work longer. The changes to National Insurance require adaptations within the occupational pension schemes in both the private and public sectors.

New rules have also been adopted regarding disability pensions from the National Insurance Scheme. The new rules will apply from 1 January 2015, and require adaptations to the regulations for public sector occupational pensions.

Other implemented changes
In the wage negotiation for 2009, it was decided to continue the rules for public sector occupational pensions, but with the necessary adaptations to National Insurance. In the public sector, new regulations regarding occupational pensions have been adopted for year groups up to 1953, which apply to retirement pensions and contractual pensions (AFP). New adjustment of current retirement pensions has also been introduced in the public sector.

Contractual pensions were introduced in the private sector from 01.01.2010. Adaptations to pension legislation and the private pension schemes have also been introduced. Investment options for those holding paid-up policies have been introduced from 01.01.2013.

What remains in the public sector?
Retirement pensions: In the public sector, the co-ordination regulations for retirement pensions for citizens born before 1954 have not been clarified. The 1954 age group can start drawing their retirement pensions in 2016, and must have access to information well ahead of this time in order to be able to make qualified decisions.

Disability pensions: Adaptation in public sector disability pensions to new disability pensions from National Insurance. New National Insurance rules come into force from 2015.

Dependents' pensions: Whether there will be changes to spouse and children's pensions is still unknown. These benefits are already net pensions, and the changes in National Insurance therefore do not necessarily require changes.

What remains in the private sector?
New pension products: The Banking Legislation Commission has proposed new pension products in the private sector. The proposed new occupational pension products – which have been named "hybrid pensions" – have elements from both defined contribution and defined benefit plans. The hybrid pensions are adjusted in accordance with the main principles of the new National Insurance Scheme, and are more flexible than the existing defined contribution schemes with regard to how much the employer can pay into the scheme for each employee. The new products are better-adjusted to fit the capital adequacy requirements in the future regulations for private occupational pensions in the EEA (Solvency II). The proposal requires changes in the Occupational Pensions Act, and is on public hearing in the spring of 2013.

Transition rules: The Banking Legislation Commission has proposed regulations for the migration from existing defined benefit schemes to the new pension products (hybrid pensions). These regulations are due for public hearing during the first half of 2013. It is proposed that the current defined benefit schemes are abolished as soon as possible, and no later than three years after the changes in legislation come into force.

Continuation of the defined benefit scheme: The Ministry of Finance has assigned the Banking Legislation Commission to investigate a new model for the defined benefit pension scheme, adjusted in accordance with the principles of the new National Insurance Scheme. The work is in progress in 2013.

The Pension Scheme for the Pharmacy Sector in the pensions market

- The Pension Scheme for the Pharmacy Sector is a statutory collective pension scheme.
- The scheme is subject to regulations that are closely linked to those covering public sector occupational pensions.
- Through the pension reform, changes to public sector occupational pensions have affected the Pension Scheme for the Pharmacy Sector.
- The pension scheme has 7,100 active members and 4,100 pensioners. At the end of 2012, 738 pharmacies were covered by the scheme. The scheme also covers organisations that are not pharmacies, but which are closely linked to the pharmacy sector. The members of the Pension Scheme for the Pharmacy Sector come from both the private and the public sector.
- The Pension Scheme for the Pharmacy Sector is a defined benefit pension scheme. This means that the maximum total pension from the National Insurance and the Pension scheme for the Pharmacy Sector constitutes 66 per cent of final salary for a member with full accrual (360 months) prior to age adjustment. The contribution base is maximised to 10 times the National Insurance base amount (G).
- The pension is co-ordinated with National Insurance (gross pension). In addition to a retirement pension, members are entitled to a contractual pension (AFP), disability pension and dependents' pension.
- The employer and the employees each pay a percentage of the contribution base salary in premiums.

The value of membership:

This is what the pension scheme offers

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

Retirement pensions

A retirement pension from the Pension Scheme for the Pharmacy Sector is in addition to a retirement pension from the National Insurance scheme and is a life-long payment. Most members can draw on their retirement pension when they reach the age of 67. The pension scheme's upper age limit for retirement is 70.

The size of the pension depends on the contribution base, qualifying period and percentage of employment.

The contribution base is generally equivalent to the employee's regular salary at the time he or she retires, subject to a limit of 10G (G = the Norwegian National Insurance Scheme's basic amount). The qualifying period is the length of time the employee has been a member of the pension scheme. The full qualifying period is 30 years (360 months).

The pension scheme operates a so-called gross guarantee, which means that the pension benefits will normally make up at least 66 per cent of the contribution base after the completed qualifying period. However for part-time employees, or those with a shorter qualifying period than 360 months, the contribution base and subsequently the pension benefits will be reduced correspondingly.

Retirement pensions are adjusted for age from 67 years – i.e. pension payments are related to life expectancy.

The age adjustment means that the pension can be less than 66 per cent of final salary, even with full accrual. Those who were born in 1958 or earlier receive an individual guarantee which ensures that they will receive 66 per cent of the contribution base after the completed qualifying period when they reach 67 years of age.

Contractual pension

On reaching the age of 62, members of the pension scheme may be entitled to retire on a contractual pension (often referred to as AFP). Members who are not employees, e.g. pharmacists who own their own pharmacies, are not entitled to contractual pension.

When a member is between 62 and 65 years of age The Norwegian Labour and Welfare service (NAV), manages the pension and the pension is always calculated according to National Insurance rules. As a rule, the amount of the pension from 62 years of age will be equivalent to the retirement pension the member would have received from the National Insurance scheme if he or she had continued to work until reaching 67 years of age, plus an AFP supplement of NOK 1,700 per month.

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

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

Disability pension

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

A full disability pension is equivalent to 66 per cent of the member's contribution base. For disability pensions, credit is given for the pension entitlement the member could have accrued if he or she had remained in the qualifying position until retirement.

Disability pensions are calculated on the basis of the percentage of employment at the time of disability. Disability pensions are not adjusted for age.

Dependents' pensions

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

With effect from 2001 new rules were introduced for calculating dependents' pensions. The new rules provided for dependents' pensions to be paid on a net basis, instead of the gross basis used for other types of pensions provided by the Pension Scheme for the Pharmacy Sector.

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

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

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

When you leave your job: Deferred pension

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

Pension transfer agreement

A majority of public sector pension schemes in Norway, is party to a pension transfer agrrement. The agreement means that if you have previously accrued pension entitlements in another pension scheme, the accrued entitlement is transferred to the scheme that you belong to when you retire. Pension calculation will be made according to the rules of the final scheme.

From 01.02.03 the pension transfer agreement ceased to apply in respect of new members of the Pension Scheme for the Pharmacy Sector, and members who had left the scheme before that date with a qualifying period shorter than six months. Those who became a member before this date are included in the pension transfer agreement. For those who became a member after 01.02.2003, entitlements earned in the different schemes will be determined in each individual scheme. In other words, the entitlements will not be transferred to the scheme applicable on retirement.

Co-ordination with the National Insurance Scheme

In order to receive a pension from the Pension Scheme for the Pharmacy Sector, it is a condition that the member draws the benefits he or she is entitled to from the National Insurance scheme.

All types of pensions, with the exception of spouse pensions regulated by the net rules, are co-ordinated with benefits from other public sector pension and social security schemes, primarily the National Insurance Scheme.

Changes in rates of National Insurance are therefore very important for determining the level of deductions.

Pension adjustments

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

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

The Board used salary growth in the pharmacy sector of 2.7 per cent as the basis for adjustment of pensions from 01.05.2012. The Pension Scheme for the Pharmacy Sector otherwise follows the same principles for adjustment as the public sector occupational pensions. This entails that adjustment of retirement pensions and contractual pensjon, as well as disability and dependents' pensions from 67 years of age, is subject to a 0.75 per cent deduction.

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

Pension glossary: *See page 46*

Pension liabilities

The actuarial provisions in the Pension Scheme for the Pharmacy Sector increased by NOK 446 million in 2012. As at 31.12.2012 the pension liabilities are estimated to be NOK 5,412 million.

The actuarial calculations of the pension liabilities are based on the assumption that the Pension Scheme for the Pharmacy Sector will continue to operate as long as liabilities towards its members exist as at 31.12.2012.

The year's underwriting result is calculated to be NOK 113 million before allocations to the securities adjustment reserve and other specified allocations. This results in overfunding as at 31.12.2012 of NOK 530 million or 9.8 per cent of the total premium reserve. The overfunding represents the scheme's equity. This is buffer capital that is necessary in order to cover random risks that are not covered by the premium, among them being to meet challenges in building up reserves for new mortality tariff (K2013).

Insurance result

The insurance result is positive and can be split into the investment result, risk result and other result.

Investment result

The investment result is positive, which means that actual returns on plan assets were higher than the basis interest rate of 3 per cent. The expected rate of return used in the calculation of the premium rate for the year was 5 per cent. Actual returns on the pension assets for 2012 were higher than expected.

Risk result

The risk result is negative, but still represents a significant improvement from financial year 2011. The improvement from 2011 can be explained by the completion of payments to widowers as a result of a ruling by the EFTA Court, the decline of expenses related to risk for mortality coverage, additional provisions made to strengthen the disability tariff and the increase in premium rate to 16.1 per cent in 2012.

Other result

The difference between the premium invoiced to the pension scheme and the system-calculated premium necessary with regard to the events which have occurred in 2012 appears as a separate result in the insurance statement. This entry is negative for 2012, which means that the invoiced premium does not cover the actual accrued pension costs in 2012. This was expected since the premium rate was estimated by using expected return of around 5 per cent, and therefore an advanced discount which the system does not take into consideration when calculating the system-calculated premium.

Assessment of the current financial situation

The financial situation continues to be challenging but satisfactory as a result of the improved buffer capital in 2012. Several initiative measures relating to pension liabilities were implemented during financial year 2012. The provisional requirement for disability was increased as a result of the strengthening of the disability tariff for the entire pension scheme from 01.01.2012. The implementation of the strengthened disability tariff from 2.0*K1963 to 2.5*K1963 will be completed in 2013, thus completion of calculation of the reserve provisions in the system for all members.

A ruling by the EFTA Court requires widowers with membership in the Pension Scheme for the Pharmacy Sector and other public sector pension schemes dating from before 1 October 1976 to be given equal status as widows. Payments to these widowers were completed in 2012. The allocated reserve relating to these cases has therefore been dissolved. In addition, provisions of NOK 6.1 million in the risk equalisation fund were also dissolved in 2012. As at 31.12.2012 the liquidation of the above-mentioned reserves has been replaced by a general provision of NOK 20 million in order to cover uncertainty relating to future changes in tariffs, solvency and reporting.

The Financial Supervisory Authority of Norway has introduced a new mortality tariff (K2013) for collective pension insurance in life insurance companies and pension funds. This process will probably start from 2015 for the pension scheme, with gradual implementation over several years. Strict capital and solvency requirements will also affect the pension scheme in the coming years.

Investment management

Investment management in the pension scheme delivered solid returns in 2012. The return on the funds was 6.8 per cent, which is significantly better than the return of a comparable benchmark portfolio. Funds under management increased by more than NOK 500 million in 2012, and totalled NOK 5.8 billion at year-end.

The investment management activities of the Pension Scheme for the Pharmacy Sector are intended to help the scheme meet its long-term commitments without incurring too great fluctuations in the premium.

The funds of the Pension Scheme for the Pharmacy Sector are managed by the investment management unit of SPK. The aim of the investment activities of the pension scheme is to seek to achieve the highest possible return within the scheme's available risk capacity. Available risk capacity is determined on the basis of the probability to be able to maintain continued ordinary operations.

The Pension Scheme for the Pharmacy Sector's investment strategy has been adopted by the Board of Directors of the scheme, and stipulates that the chosen investment portfolio must have a risk profile that means that the probability of not meeting the legally-required equity requirement is less than 1 per cent at all times. The pension scheme's funds are currently invested in a range of asset classes that reflects the goal of achieving a satisfactory long-term return on capital in combination with a high level of diversification (investing in a range of different assets in order to reduce total risk).

Results and markets in 2012

The overall return on the pension scheme's funds for 2012 was 6.8 per cent. This is significantly better than the return for the comparable reference index, which was 4.94 per cent.

All asset classes have contributed positively to the total return for 2012. Norwegian credit markets have seen a positive development, and despite low interest rates the credit exposure in the portfolio of bonds available-for-sale has paid off extremely well. As in previous years, bonds held to maturity have given solid current returns. The stock markets had quite a cautious start, but showed a strong development in the latter half of the year, which overall contributed to good returns on both Norwegian and foreign shares for the year as a whole. Regarding real estate investments, property values declined slightly during the latter half of the year, but due to a stable cash flow from the real estate portfolio, this asset class has also contributed positively to the overall return.

The table below shows the returns for 2012 and reference weighting at year-end for the different asset classes.

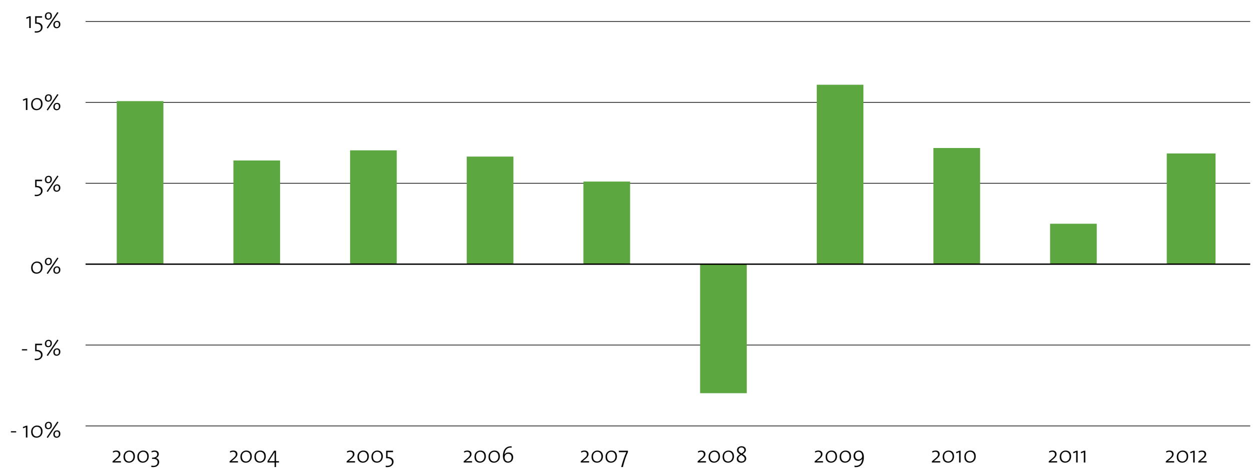
Returns and reference weighting for investments in the different asset classes

Asset class:	Ref. weighting	Rate of return
Interest-bearing investments (available-for-sale)	53.5%	5.26%
Interest-bearing investments (hold-to-maturity)	15.0%	6.44%
Norwegian shares	5.5%	15.53%
Foreign shares (local currency)*	9.5%	15.00%
Real estate	8.5%	5.29%
Hedge funds (local currency)*	4.0%	3.85%
Loans to members	2.5%	2.56%
Bank deposits	1.5%	2.00%

** Almost all foreign exchange exposure was hedged throughout the year. Returns from hedging activities are included in the overall yield.*

Fluctuations in returns are entirely normal and to be expected for an investment portfolio with a moderate level of risk, such as the Pension Scheme for the Pharmacy Sector. The figure below shows the annual return on the Pension Scheme for the Pharmacy Sector's funds for the past 10 years. As shown in the figure, the Pension Scheme for the Pharmacy Sector has only experienced one single year with a negative return during this period, at the start of the financial crisis in 2008. The average return for the 10-year period is 5.5 per cent.

Annual return



Changing regulations

In accordance with the applicable administrative regulations, the Pension Scheme for the Pharmacy Sector shall generally adhere to the same regulations as Norwegian pension funds. In Norway, pension funds and life insurance companies are currently generally subject to the same regulations. For Norwegian insurance companies, new regulations (Solvency II) are now in the works. This will have a significant impact on the calculation and size of capital adequacy requirements. The changes to the regulations will probably come into force from 01.01.2015 at the earliest. It is not yet clear how the pension funds will be handled following the implementation of the new regulations. However, in the past year the Financial Supervisory Authority of Norway has gradually increased the reporting requirements linked to stress tests for the pension funds, so that these are now largely the same as the requirements for life insurance companies.

From 31.12.2012, all pension funds, regardless of size, must report on stress tests to the Financial Supervisory Authority. The Pension Scheme for the Pharmacy Sector is not obligated to report to the Financial Supervisory Authority, but calculates and reports on stress tests to the Board of Directors on a quarterly basis. The calculation of stress requirements for market risk regarding assets are based on the methodology determined by the Financial Supervisory Authority.

As at 31.12.2012, the Pension Scheme for the Pharmacy Sector does not have sufficient capital to meet the capital adequacy requirements resulting from the stress tests, but the capital situation has been markedly better throughout 2012 both as a result of premium measures and good returns from investment management.

Challenges facing the pension funds

Norwegian interest rates have remained low following the financial crisis of 2008. Interest rates are to a significant extent affected by international circumstances, while salary levels in Norway are more affected by domestic issues. For several years, salary inflation in Norway has therefore been high compared with other countries, and is still high when compared with the interest rate levels. This creates a challenge for all pension funds as well as providers of defined benefit pension schemes.

In the current situation, risk-free returns will be low, so a satisfactory rate of return can only be achieved by taking a degree of risk. At the same time the pension funds' commitments are growing at a rapid pace as a result of salary inflation, which means that equity, and subsequently risk capacity, decreases. If such a situation prevails over several years, investment management alone will not be able to generate returns that maintain a satisfactory cash balance in the long term without sponsors and members having to contribute to the financing of the growing commitments. This development has been a contributory cause of the premium increase in the Pension Scheme for the Pharmacy Sector in 2012.

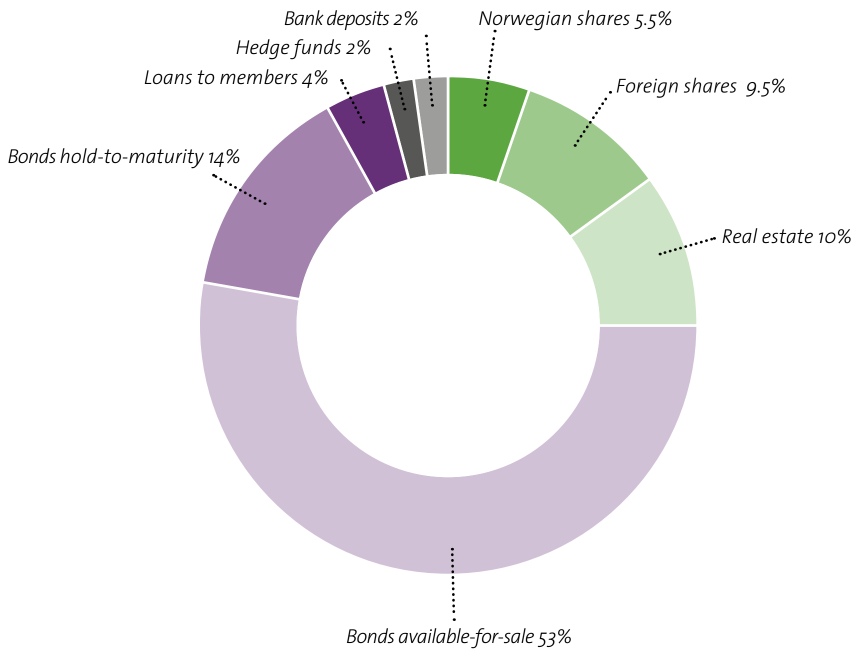
Asset allocation and outlook for 2013

Investment management provided a good return on the pension scheme's funds throughout the past year. For the coming year, the expected return is lower than what was the case at the beginning of last year. The risk-free interest rate is still extremely low, and it is becoming increasingly challenging to find asset classes that provide good returns at moderate risk. As an example, the credit premiums in the Norwegian bond market are now significantly reduced.

At the end of 2012, the pension scheme managed funds totalling NOK 5,809 million. This is an increase of NOK 517 million throughout the year. Assets under management are still expected to grow throughout 2013 as a result of excess liquidity in the scheme.

The asset allocation strategy for 2013 has been set to continue to maintain a portfolio based on a diversification over multiple asset classes with different risk levels and expected returns in order to achieve an overall medium risk profile for the pension scheme. Compared with 2012, some adjustments in portfolio weighting have been made in 2013 in order to reap as many risk premiums as possible in the coming year. Specific consideration is being given to adding new asset classes and investment solutions during the year to achieve further diversification and possibly benefit from risk returns.

The figure below shows strategic allocations in the various asset classes at the beginning of 2013.



The housing loan scheme

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

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

At the turn of the year, the interest rate on housing loans was 3.5 per cent.

At 2012 year-end there were 358 outstanding loans. This is an increase of 16.6 per cent from 2011.

The loan portfolio comprises the following loans:

	Number of loans	Amount in NOK
Housing loans	346	219,863,416
Government-guaranteed debenture loans	9	4,614,233
Loans for pharmacy premises	3	471,600
Total	**358**	**224,949,249**

Board of Directors' report

Annual report 2012 for the Pension Scheme for the Pharmacy Sector

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

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

In accordance with the Act the pension scheme shall be managed by the Norwegian Public Service Pension Fund (SPK) in Oslo. At the end of 2012 the pension scheme had three employees, all of which are men. All the employees are investment managers. The continuous follow-up of the employees is carried out by the Norwegian Public Service Pension Fund.

No discrimination shall occur on the grounds of gender, race, age or ethnic background in the Pension Scheme for the Pharmacy Sector. The annual employee satisfaction survey shows that there is a good working environment in the investment management department.

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

As at 31.12.2012 the Board of Directors had five members. The Board of Directors is headed by the CEO of the Norwegian Public Service Pension Fund. The other board members represent the Hovedorganisasjonen Virke, the Spekter Employers' Association, the Norwegian Association of Pharmacists and the Norwegian Association of Pharmacy Technicians. During the year the Board of the pension scheme held six board meetings and dealt with 51 items of business.

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

Members, contributions and benefit payments

At the 2012 year-end employees at 738 pharmacies were members of the pension scheme. This is an increase of 31 pharmacies compared to 2011. The pension scheme also includes members who are not pharmacy employees but who work in other positions associated with the pharmacy sector. The scheme had a total of 7,125 actively contributing members, as well as 4,144 current pensioners. A total of NOK 427 million was contributed in premiums in 2012, compared to NOK 321 million in 2011.

In addition, NOK 232 million was paid in pensions, compared to NOK 228 million in 2011. Invoiced but not paid premiums constituted a total of NOK 126 million at the turn of the year.

The premium rate was increased to 16.1 per cent from 01.01.2012. The premium is divided between employees and employers. Employees paid a premium of 3 per cent of the contribution base, while employers paid a premium of 13.1 per cent. From 01.10.2012 the premium rate was increased to 18.1 per cent, of which employees pay 3.4 per cent and employers pay 14.7 per cent.

From 1 January 2012 the estimated cost of the drawing of contractual pensions (AFP) will be collected from the member organisations at the time of withdrawal. This is based upon the practice in other pension funds. Previously, the cost of drawing contractual pensions (AFP) in the Pension Scheme for the Pharmacy Sector was covered by the ordinary premium.

In 2012 the pensions were adjusted based on a factor of 2.7 per cent. In the same way as for National Insurance, a fixed factor of 0.75 per cent is deducted from the adjustment of the majority of the pensions. This resulted in a minimum increase of the total pension of 1.9 per cent.

A ruling by the EFTA Court requires widowers with membership in the Pension Scheme for the Pharmacy Sector and public sector pension schemes dating from before 1 October 1976 to be given equal status to women. Repayments were made for 4 such cases in 2012, which totalled NOK 3.3 million. In addition, NOK 1.7 million was paid in 10 cases in which the widowers have passed away, and where the retrospective payment passes to beneficiaries. Provisions for estimated repayments for both current pensions and inheritance settlements were recognised in the 2010 accounts.

Financial risk
The Board has adopted an investment strategy that clearly delineates which risks may be taken and which types of investments may be made. The strategy outlines that capital should be invested with a long-term perspective and with a moderate level of risk. As at 31.12.2012 the proportion of shares, equity funds and hedge funds was 18 per cent of the total assets. In the opinion of the Board, the scheme's investment strategy and authorisation structure provide a good level of control over the management of the scheme's assets.

A purchase of bond hold-to-maturity was made in 2012, and some of these bonds classified as hold-to-maturity have matured. The portfolio of long-term bonds represents 14 per cent of total assets, which is slightly less than the previous year. Current returns from this portfolio are around 6.5 per cent.

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

The technical settlement for 2012 is based on the K2005 mortality tariff and the disability tariff 2*K1963. With effect from 01.01.2012 the disability tariff was strengthened to 2.5*K1963 as a result of the actual drawing of disability pensions in the scheme being higher than that assumed under the current tariff. The additional provisions to strengthen the disability tariff are spread over five years.

Result
The result for the year shows a profit of NOK 28 million. Net profits related to financial assets totalled NOK 369 million, including changes in unrealised gains and losses. All asset classes have contributed positively to the return for 2012 as a whole.

Provisions have been made for unrealised price gains of NOK 126 million to the securities adjustment reserve. This has reduced the profit for 2012 accordingly.

A total increase of NOK 446 million in pension liabilities (the premium reserve) was recorded in 2012. Reasons for this strong increase include increased life expectancy, increased salary levels and the strengthening of the disability tariff in 2012 to ensure sufficient provisions for disability in the future.

This year's profit of NOK 28 million will be allocated to other retained earnings. In addition, the risk equalisation fund of NOK 6 million has been transferred to other retained earnings in 2012.

Financial position
As at 31.12.2012 the pension scheme's assets under management totalled NOK 5,967 million, of which approximately 65 per cent were placed in bonds and bond funds, 18 per cent in shares, equity funds and hedge funds, 9 per cent in property and real estate, 4 per cent in loans and 2 per cent in bank deposits, while other items account for 2 per cent of the total.

As at 31.12.2012 other retained earnings totalled NOK 421 million. This is an increase of NOK 34 million from 2011. The pension scheme has calculated capital adequacy requirements using rules similar to those applicable to private pension funds in accordance with the new administrative regulations. As at 31.12.2012 the calculated capital adequacy requirement totalled NOK 241 million. The capital adequacy requirement is calculated in accordance with the requirements applicable to private sector pension funds, and the calculated amount will be covered by other retained earnings.

Accordingly, the scheme's free equity, which consists of other retained earnings in excess of the capital adequacy requirement, totalled NOK 180 million at the end of the year. This is buffer capital necessary to cover random risks that are not covered by the premium. The buffer capital is equivalent to 3.0 per cent of total equity.

As at 31.12.2012 NOK 126 million in net unrealised price gains was allocated to the securities adjustment reserve. The securities adjustment reserve operates as a buffer against possible future falls in market prices.

The pension scheme calculates capital requirements based on the Financial Supervisory Authority of Norway's stress tests in accordance with rules similar to those that apply to private pension funds. The stress tests demonstrate the scheme's ability to bear losses without this threatening the ordinary operations of the scheme. As at 31.12.2012 the pension scheme does not have buffer capital which meets the capital requirements resulting from the stress tests, but the buffer capital has been strengthened throughout 2012.

In 2011, as a result of the need to strengthen the buffer capital, the Board decided to recommend that the Ministry of Labour increase the premium rate by 2.5 percentage points to 16.1 per cent. The Ministry of Labour adopted the increase with effect from 01.01.2012. In June 2012, the Board decided to propose a further increase in the premium rate to 18.1 per cent with effect from 01.07.2012. The Ministry of Labour adopted the increase with effect from 01.10.2012.

Good returns on investment management also helped to strengthen the buffer capital in 2012. The return of 6.8 per cent in 2012 was better than that which was used in calculations at the beginning of the year, and also better than a comparable reference index.

2012 was the first year in which the estimated cost of the drawing of contractual pensions (AFP) was collected from the member organisations at the time of withdrawal. This was calculated as equivalent to an increase in the premium rate of 2.5 percentage points in 2012, compared with the previous year. The costs of drawing on the AFP scheme have previously been covered from the ordinary premium. This change in practice was adopted by the Board in 2011.

Based on the pension scheme's financial position, the Board adopted a pension adjustment in 2012 which was somewhat lower than that for National Insurance. This contributed to reduced growth in costs in 2012. Furthermore, the Board decided to reduce the exemption period for premiums in the event of sick leave with effect from 1 July 2012. This contributed to increased premium income in 2012. In October 2012, the Board also decided to increase the interest rates on loans from the pension scheme.

The technical reserves have risen strongly in recent years and show continued growth. The growth in technical reserves together with low interest levels makes ensuring satisfactory buffer capital within the scheme a challenging task. The measures implemented by the Board have however helped to strengthen the buffer capital throughout 2012. The measures also help to ensure an improved capital situation for the scheme going forward.

Summary

The annual financial statements have been prepared under the going-concern assumption. As at 31.12.2012 the pension scheme had set aside technical reserves in accordance with the provisions of Act no. 11 of 26 June 1953 concerning the Pension Scheme for the Pharmacy Sector.

In the opinion of the Board, the annual financial statements for the Pension Scheme for the Pharmacy Sector provide a satisfactory basis for assessing the results of the pension scheme's operations during 2012 and the scheme's financial position at year-end.

Despite the strengthening of the buffer capital in 2012, the Board believes that the scheme's finances as at 31.12.2012 are still challenging, based on the assumptions applied to the 2012 financial statements. Low interest rates, together with the growth in pension liabilities, mean that it will be challenging to ensure a satisfactory financial position for the pension scheme in 2013 and beyond.

Given the financial position at year-end, the Board of Directors is of the opinion that the adopted investment strategy and implemented measures, provide a satisfactory basis for securing the financial position of the pension scheme. The requirements for the going-concern assumption are accordingly satisfied.

Oslo, 03 May 2013

Finn Melbø (Chairman)

Stein Gjerding

Edvin Alten Aarnes

Kim Nordlie

Kjell Hundven

Financial statements

Income statement 2012

	Note	2012	2011
Technical account			
Premium income			
Premium income	17	482,303,118	326,729,881
Net income from investments in the collective portfolio			
Interest income and dividends, etc. on financial assets		184,448,549	187,364,103
Net operating income from real estate		25,990,470	23,504,684
Value adjustments on investments		133,981,094	–143,041,969
Realised gains and losses on investments		7,853,220	54,900,112
Total net income from investments in the collective portfolio	21	352,273,333	122,726,930
Insurance benefits			
Pensions paid	18	231,916,250	227,840,071
Recognised changes in insurance liabilities			
Change in premium reserve	12	445,506,776	446,087,747
Change in exceptional liabilities	13	–24,400,000	–35,600,000
Change in securities adjustment reserve		126,325,157	–125,505,345
Total recognised changes in insurance liabilities	22	547,431,933	284,982,403
Insurance-related operating costs			
Asset management costs	19	16,766,355	15,123,782
Insurance-related administrative costs	20	26,996,488	22,139,522
Total insurance-related operating costs		43,762,843	37,263,303
Technical result		**11,465,425**	**–100,628,966**
Non-technical account			
Net income from investments in company portfolio			
Interest income and dividends, etc. on financial assets		9,017,775	11,190,295
Net operating income from real estate		1,270,686	1,403,814
Value adjustments on investments		6,550,398	–8,543,162
Realised gains and losses on investments		383,948	3,278,902
Total net income from investments in the company portfolio	21	17,222,807	7,329,849
Other income			
Interest income on bank deposits, operations		184,894	415,238
Administrative costs and other costs linked to the company portfolio			
Administrative costs	19	819,715	903,266
Non-technical result		**16,587,986**	**6,841,821**
Total result		**28,053,411**	**–93,787,145**
Transfers and allocations			
Allocated to/transferred from(-) other retained earnings	14, 15, 22	28,053,411	–93,787,145
Total allocations		**28,053,411**	**–93,787,145**

Balance sheet as at 31.12.2012: Assets

	Note	31.12.12	31.12.11
Assets in company portfolio			
Investments			
Financial assets valued at amortised cost			
Bonds classified as hold-to-maturity	2	39,797,864	55,309,500
Housing and business loans	3	10,485,245	8,400,194
Total financial assets valued at amortised cost		50,283,109	63,709,693
Financial assets at fair value			
Shares and mutual funds	4, 7	80,020,052	81,807,947
Bonds	5, 7	136,217,030	150,267,156
Financial derivatives	6, 7	589,471	0
Bank deposits	8	3,678,531	5,503,167
Total financial assets at fair value		220,505,084	237,578,271
Total investments in company portfolio		**270,788,192**	**301,287,964**
Receivables			
Accounts receivables	9	126,672,916	87,344,923
Other assets			
Bank deposits, operations	8	8,999,777	3,845,043
Prepaid expenses and accrued income			
Accrued non-invoiced premiums		18,450,000	1,800,000
Accrued dividends		3,626,792	3,600,147
Prepaid expenses		45,700	489,168
Total prepaid expenses and accrued income not received		22,122,492	5,889,315
Total assets in company portfolio		**428,583,378**	**398,367,245**
Assets in client portfolios			
Investments in collective portfolio			
Financial assets valued at amortised cost			
Bonds classified as hold-to-maturity	2	814,020,983	926,071,639
Housing and business loans	3	214,464,004	140,648,189
Total financial assets valued at amortised cost		1,028,484,987	1,066,719,829
Financial assets at fair value			
Shares and mutual funds	4, 7	1,636,721,048	1,369,746,976
Bonds	5, 7	2,786,167,639	2,515,990,051
Financial derivatives	6, 7	12,056,975	0
Bank deposits	8	75,240,248	92,141,989
Total financial assets at fair value		4,510,185,908	3,977,879,017
Total investments in collective portfolio		**5,538,670,896**	**5,044,598,845**
Total assets in client portfolios		**5,538,670,896**	**5,044,598,845**
Total assets		**5,967,254,274**	**5,442,966,090**

Balance sheet as at 31.12.2012: Equity and liabilities

	Note	31.12.12	31.12.11
Retained earnings			
Risk equalisation fund	10	0	6,138,569
Other retained earnings	11	420,678,538	386,486,558
Total retained earnings	11, 15, 16	420,678,538	392,625,127
Insurance liabilities			
Premium reserve	12	5,412,345,739	4,966,838,962
Provisions for extraordinary liabilities	13	0	24,400,000
Securities adjustment reserve		126,325,157	0
Total insurance liabilities		5,538,670,896	4,991,238,962
Liabilities in company portfolio			
Financial liabilities measured at fair value			
Financial derivatives	6	0	3,000,273
Accrued expenses and prepaid income			
Accrued expenses		7,904,840	5,866,823
Liabilities in client portfolios			
Financial liabilities measured at fair value			
Financial derivatives	6	0	50,234,905
Total equity and liabilities		**5,967,254,274**	**5,442,966,090**

Oslo, 03 May 2013

Finn Melbø (Chairman)

Stein Gjerding

Edvin Alten Aarnes

Kim Nordlie

Kjell Hundven

Cash flow statement 01.01. – 31.12.2012

	2012	2011
Cash flow from operations		
Contributions from members	426,564,736	321,275,769
Bank interest	1,648,669	3,013,274
Interest income on loans	5,118,056	4,242,792
Interest on bonds/certificates	173,068,955	170,900,746
Dividends	13,591,512	20,702,788
Other income	991,510	2,278,321
Total	620,983,439	522,413,690
Financial expenses paid	–2,316,422	–1,516,606
Pensions paid	–231,916,250	–227,840,071
Administrative expenses	–43,497,309	–36,742,277
Change in accounts payable	–303,149	578,583
Changes in other liabilities	2,341,169	–552,065
Total	–275,691,960	–266,072,436
Total cash flow from operations	**345,291,478**	**256,341,254**
Cash flow from investments		
Net realised losses/gains on shares/derivatives/hedge funds	–17,295,596	57,189,876
Net realised price gains on bonds/certificates	25,532,833	933,852
Net realised returns on buildings and real estate	27,261,156	24,964,377
Net change in loans	–76,198,621	–14,955,530
Net losses on loans	0	–592
Net change in real estate funds	–71,792,480	–40,645,879
Net change in securities	–257,734,622	–405,690,624
Net change in other receivables	11,364,208	4,331,114
Total cash flow from investments	**–358,863,123**	**–373,873,406**
Cash flow from financing activities		
Paid in capital	0	0
Total cash flow from financing activities	**0**	**0**
Net cash flow for the period	**–13,571,645**	**–117,532,152**
Cash and cash equivalents 01.01.	101,490,200	219,022,352
Cash and cash equivalents 31.12.	87,918,555	101,490,200
Net change cash and cash equivalents	**–13,571,645**	**–117,532,152**

(Figures in whole NOK)

Notes

Notes to the annual financial statements 2012

NOTE 1 ACCOUNTING PRINCIPLES

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

Pension premiums

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

Interest income

Interest is recorded as income as it accrues.

Buildings and other real estate

Investments in real estate are valued at the market value as at 31.12.2012. The market value is based on independent valuations of the properties.

Financial assets valued at amortised cost

Bonds classified as held-to-maturity are valued at cost price, adjusted for recognised premium/discount. The premium/discount at the acquisition date is recognised in the income statement spread over the bond's remaining life. Housing and business loans are recorded at par value as at 31.12.2012.

Financial assets at fair value

Shares and mutual funds

Investments in shares and mutual funds are booked at fair value as at 31.12.2012. Changes in value are recognised in the income statement. Fair value is equivalent to the market value as at 31.12.2012, which is based on the last traded price in 2012.

Bonds

Investments in bonds are booked at fair value as at 31.12.2012. Changes in value are recognised in the income statement. Fair value is equivalent to the market value as at 31.12.2012, which is equivalent to the tax assessment value for 2012.

Financial derivatives

Foreign currency forward contracts and options are booked at fair value as at 31.12.2012. Fair value is equivalent to the market value as at 31.12.2012. The value of forward rate agreements (FRAs) is recorded as being equivalent to accrued unrealised gains/losses based on the market value as at 31.12.2012. Underlying futures positions are not capitalised, but gains/losses in relation to the market value are settled daily.

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

Foreign currency

Bank deposits together with receivables and liabilities designated in foreign currencies are recorded using exchange rates as at 31.12.2012.

Insurance liabilities

The calculations are based on the assumption that the pension scheme will continue to operate as long as obligations exist towards its members as at 31.12.2012. Accordingly, account has been taken of all potential pension benefits provided for in the Act on the pension scheme for the pharmacy sector, both current benefits and benefits that may be relevant in the future. Account has also been taken of the contractual pension scheme (AFP) that allows the drawing of a pension from the age of 62, subject to certain criteria.

The cash value of all scheme members' pensions has been calculated on the basis of membership status at the balance sheet date (31.12.2012). This calculation has been carried out using standardised actuarial principles, and allowance has been made for discounting and calculation of risk. The calculations are based on a linear accrual of pension benefits from initial employment until retirement, subject to adjustment for any additional periods during which the member may previously have accrued pension entitlements. The actuarial assumptions of mortality and the dependent probability are based on K2005, but such that safety margins (determined by the Financial Supervisory Authority of Norway) for mortality are being gradually introduced over a three year period from financial year 2011. The disability probability is based on K1963, strengthened by a factor of 2. From 2012, the assumption for rates of disability will be strengthened further by using a factor of 2.5 of K1963.

Retained earnings

Retained earnings consist of other retained earnings.
Other retained earnings comprise the pension scheme's excess capital in relation to the pension scheme's commitments.
As a minimum the equity must cover the estimated capital adequacy requirement. The capital adequacy requirement is described in more detail in Note 16. Other retained earnings in excess of the capital adequacy requirement are defined as free equity. There are no guidelines limiting the application of free equity in the Pension Scheme for the Pharmacy Sector.

NOTE 2 BONDS CLASSIFIED AS HOLD-TO-MATURITY

Figures in NOK 1,000

Issuer	Par value	Cost price	Book value	Market value	Difference between book and par value
Government-guaranteed	100,000	90,490	92,438	90,240	7,562
Banking/finance	536,000	522,521	532,674	563,328	3,326
Municipality/county	50,000	50,125	50,011	51,415	–11
Industry	132,000	132,000	132,000	144,292	0
Energy	25,000	25,000	25,000	25,525	0
Bonds classified as hold-to-maturity:	843,000	820,136	832,123	874,800	10,877
Interest earned			21,696		
Total book value	**843,000**	**820,136**	**853,819**	**874,800**	**10,877**
Proportion of above in collective portfolio			814,021		
Proportion of above in company portfolio			39,798		
Book value 01.01.2012:	981,382				
Additions 2012:	25,000				
Disposals 2012:	–153,000				
Accrued premium/discount:	4,711				
Change in accrued interest 2012:	–4,273				
Book value 31.12.2012:	**853,819**				

Figures in NOK 1,000

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

NOTE 3 HOUSING AND BUSINESS LOANS

The pension scheme provides loans to its members. Housing and business loans are recorded at par value as at 31.12.2012. No allowances are made for possible loan losses, since past lending losses have been extremely small. There is one loan in default in the loan portfolio as at 31.12.2012. Unpaid instalments on this loan totalled NOK 24,860 as at 31.12.2012, while the outstanding balance on the loan was NOK 313,758. The risk of a loss on the loan in default is minimal as the pension scheme has preferential security in the property.

Borrowers with housing loans are partially covered by credit insurance for which the pension scheme has self-insurance arrangements. No provisions have been made for potential claims as at 31.12.2012, since the number of claims and the sums relating to them have been low in recent years.

Specification of the loan portfolio:

	Housing loans	Government-guaranteed debenture loans	Loans for pharmacy premises	Total
Number	346	9	3	358
Amount	219,863,416	4,614,233	471,600	224,949,249
Proportion of above in the collective portfolio:		214,464,004		
Proportion of above in the company portfolio:		10,485,245		

Interest rates as at 31.12.2012 were 3.50% for housing loans and 4.00% for government-guaranteed loans against promissory notes and loans for pharmacy premises.

Losses etc. on loans	2012	2011	2010	2009	2008
Principal written off	0	0	0	0	0
Principal written off, credit insurance	0	0	0	705,340	0
Interest written off	0	592	274	0	0
Interest written off, credit insurance	0	0	0	3,153	0
Previous payments written off	0	0	0	0	0
Total	**0**	**592**	**274**	**708,493**	**0**

NOTE 4 SHARES / FUND SHARES

Shares listed on the Oslo Stock Exchange

Company	Cost price	Book value
AKER	2,359,710	2,968,000
AKER SOLUTIONS	3,206,631	8,004,046
ALGETA ASA	955,334	1,912,864
ATEA ASA (TIDL EMENTOR)	3,606,917	4,124,640
AUSTEVOLL SEAFOOD	829,656	855,000
BAKKAFROST	1,631,256	2,238,500
BLOCK WATNE GRUPPEN	802,251	903,750
BORREGAARD ASA	1,468,932	1,456,000
BOUVET ASA	1,382,760	1,300,000
CERMAQ ASA	1,443,057	1,993,250
CLAVIS PHARMA ASA	650,273	109,200
DET NORSKE OLJESELSKAP ASA	2,487,669	2,477,723
DNB ASA	22,065,716	29,929,856
DOLPIN GROUP ASA	847,692	828,000
EKORNES ASA	767,834	1,036,000
ELECTROMAGNETIC GEOSERVICES	1,641,677	1,400,032
FRED OLSEN ENERGY	2,292,141	2,901,600
GJENSIDIGE FORSIKRING ASA	4,859,962	6,352,000
KONGSBERG AUTOMOTIVE HOLDING	4,137,490	916,120
KONGSBERG GRUPPEN ASA	2,014,376	3,122,460
KVÆRNER ASA	1,430,748	2,282,499
MARVINE HARVEST ASA	5,338,792	6,144,512
NORDIC VLSI	256,512	580,000
NORSK HYDRO ASA	11,062,093	11,755,044
NORWEGIAN AIR SHUTTLE	1,324,129	1,698,020
OLAV THON EIENDOMSELSKAP	433,727	1,762,200
OPERA SOFTWARE ASA	2,252,097	2,805,322
ORKLA ASA	14,222,913	15,914,305
PETROLEUM GEO SERVICES	5,450,395	8,665,313
POLARCUS LTD	916,324	996,000
PRONOVA BIOPHARMA ASA	1,223,507	883,025
SCHIBSTED	3,248,104	7,938,941
SEVAN DRILLING AS	737,472	392,000
SEVAN MARINE ASA	487,573	606,000
SPAREBANK 1 SR BANK	914,325	930,000
SPAREBANKEN MIDT NORGE	886,770	870,000
STATOIL ASA	61,959,985	67,067,639
STOLT NILSEN ASA	2,072,637	1,840,000
STOREBRAND ASA	2,533,226	2,640,563
TELENOR ASA	18,045,389	37,104,540
TGS NOPEC GEOPHYSICAL CO	4,215,923	8,407,806
TOMRA SYSTEMS	2,365,999	2,763,750
VERIPOS INC	202,146	275,660
WILH. WILHELMSEN ASA	1,597,281	3,280,200
YARA INTERNATIONAL	13,905,487	21,347,091
Total Norwegian shares	**216,534,890**	**283,779,469**

Company	Cost price	Book value
AWILCO DRILLING PLC	1,408,521	2,056,200
BW OFFSHORE LIMITED	2,406,699	1,030,000
DEEP SEA SUPPLY PLC	1,406,162	1,116,530
HOEGH LNG HOLDINGS LTD	2,992,131	2,805,320
PROSAFE ASA	4,904,627	4,761,812
ROYAL CARIBBEAN CRUISES	3,472,422	6,090,400
SEADRILL LIMITED	9,944,455	21,328,406
SUBSEA 7 S.A.	8,314,836	15,231,130
VIZRT LTD	1,852,434	1,263,650
Total foreign shares	**36,702,288**	**55,683,448**

Total shares listed on the Oslo Stock Exchange	**253,237,178**	**339,462,917**

Equity funds

Fund	Cost price	Book value
Black Rock World Index Subfund	229,466,126	258,501,861
State Street World Index Plus Fund CTF	347,498,498	299,007,879
Total foreign equity funds	**576,964,624**	**557,509,740**

Hedge funds

Fund	Cost price	Book value
Certificates Credit Suisse Guernsey branch	2,252,869	2,554,804
Gottex Market Neutral Fund (USD Class B)	53,437,232	52,433,878
Gottex Market Neutral Plus Fund (USD Non Leveraged)	55,454,636	52,421,591
Partners Grp Alt. Beta Strat. (GreenVega)	60,278,647	52,180,095
Sector Healthcare Fund (Class A NOK)	20,402,707	30,146,332
Total foreign hedge funds	**191,826,091**	**189,736,701**

Real estate funds

Fund		
Aberdeen Eiendomsfond Norge I AS	2,616,006	2,697,647
Aberdeen Eiendomsfond Norge I IS	247,977,656	257,249,635
Pareto Eiendomsfelleskap AS/IS	253,972,480	255,013,390
Total real estate funds	**504,566,143**	**514,960,672**

Bond funds

Fund		
Cheyne European Real Estate Bond Fund	111,967,280	115,071,070
Total bond funds	111,967,280	115,071,070

Total shares and mutual funds	**1,638,561,315**	**1,716,741,100**

Proportion of above in collective portfolio	1,562,185,348	1,636,721,048
Proportion of above in company portfolio	76,375,967	80,020,052

The portfolio of Norwegian individual shares comprises shares that are listed on the Oslo Stock Exchange or that are expected to be listed within six months.

The reference index for this portfolio is the OSE Benchmark Index (OSEBX). Limits have been established on the extent to which the portfolio weighting of a company or sector may deviate from the reference weighting. Limits have also been imposed on the maximum permissible relative risk for equity management. The objective when managing this portfolio is to achieve a better return than the OSEBX. The risk profile for the portfolio both at year-end and throughout the year corresponded to a large extent with the risk profile of the OSEBX.

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

Investments in hedge funds have been diversified by creating a portfolio consisting mainly of fund-of-funds solutions and by the external hedge fund managers using different investment strategies. The reference index for the hedge fund investments for 2012 has been the Global Hedge Fund Index. The overall risk profile for hedge fund investments is expected to emulate the risk profile for investments in bonds more closely than that for investments in shares.

Real estate investments consist of holdings in Aberdeen Eiendomsfond Norge I IS/AS and Pareto Eiendomsfellesskap AS/IS. These investments are booked at market value as at 31.12.2012. The market value of the investments is based on independent valuations of the properties.

Book value of real estate investments as at 31.12.2012

Figures in NOK 1,000

	2012	2011	2010	2009	2008
Opening balance	446,935	400,407	207,866	196,447	246,358
Purchases during the year at acquisition cost	78,244	49,523	178,446	13,144	0
Disposals during the year at disposal cost	– 6,450	– 8,878	0	– 963	0
Adjustments in value during the financial year	– 3,768	5,883	14,095	– 762	–49,911
Closing balance	**514,961**	**446,935**	**400,407**	**207,866**	**196,447**
Proportion of above in collective portfolio	490,958	421,747	370,244	181,549	181,301
Proportion of above in company portfolio	24,003	25,188	30,163	26,317	15,146

Pareto Eiendomsfellesskap AS/IS is structured as two companies – Pareto Eiendomsfellesskap IS and Pareto Eiendomsfellesskap AS – with the latter company being the principal shareholder in the former. The investment in Pareto Eiendomsfellesskap AS/IS is viewed as a direct investment in real estate. Investments have only been made in properties in Norway. Of the total investments made by Pareto Eiendomsfellesskap, 48% comprise real estate in Greater Oslo, 21% comprise real estate in Vestfold, and 31% comprise real estate in South East Norway. 68% of the total investments are in buildings relating to warehousing/logistics, while the remaining investments are in buildings relating to trade. The average time remaining on lease agreements for properties in the portfolio fell during 2012 from 9.6 years to 9.3 years. At year-end 2012 gross rents for properties in the portfolio amounted to NOK 63 million.

Aberdeen Eiendomsfond Norge I IS/AS is structured as two companies – Aberdeen Eiendomsfond Norge I IS and Aberdeen Eiendomsfond Norge I AS – with the latter company being the principal shareholder in the former. The investment in Aberdeen Eiendomsfond Norge I IS/AS is viewed as a direct investment in real estate. Investments have only been made in properties in Norway. Of Aberdeen Eiendomsfond Norge I IS/AS' total investments, 49% comprise real estate in Oslo. 76% of the total fund is invested in office buildings. The average time remaining on lease agreements for properties in the portfolio at the end of 2012 is 5.3 years, the same as at the end of 2011. At year-end 2012 gross rents for properties in the portfolio amounted to NOK 386 million.

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

NOTE 5 BONDS

Issuer	Cost price	Market value	Unrealised gains
Banking and finance	1,507,014,210	1,526,815,500	19,801,290
Municipality/county	364,472,150	378,350,150	13,878,000
Government-guaranteed	444,256,856	449,375,441	5,118,585
Industry	465,559,355	465,608,502	49,147
Energy	74,987,500	74,805,500	–182,000
Total interest-bearing securities classified as financial current assets	**2,856,290,071**	**2,894,955,092**	**38,665,022**
Interest earned		27,429,576	
Total	**2,856,290,071**	**2,922,384,668**	
Proportion of above in collective portfolio		2,786,167,638	
Proportion of above in company portfolio		136,217,030	

The interest-bearing securities portfolio is classified as a financial current asset and consists of interest-bearing securities listed on the Oslo Stock Exchange and the Oslo ABM, as well as non-listed securities. All interest-bearing securities classified as financial current assets are nominated in NOK, with the exception of two securities nominated in USD. The effective rate of interest is approximately 3.0%. The average effective rate of interest is calculated on the basis of the securities' effective rate of interest in relation to their market value.

NOTE 6 FINANCIAL DERIVATIVES

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

As at 31.12.2012 investments were held in the following derivatives:

	Nominal amount in NOK	Fair value in NOK
Forward currency contracts:		
EUR	– 275,180,320	–272,637,870
USD	– 499,852,827	–482,580,670
GBP	– 46,638,251	– 46,162,498
NOK	821,671,397	821,671,397
Total forward currency contracts	**0**	**20,290,359**
Interest rate derivatives:		
NOK FRA	3,000,000,000	– 4,820,000
Total interest rate derivatives	**3,000,000,000**	**–4,820,000**
Equity derivatives:		
EURO STOXX Future	26,433,744	– 183,913
Telenor Call option	–19,659,600	–2,640,000
Total equity derivatives	**6,774,144**	**– 2,823,913**
Total derivatives recognised in the balance sheet	**3,006,774,144**	**12,646,446**
Proportion of above in collective portfolio		12,056,975
Proportion of above in company portfolio		589,471

During 2012 investments in foreign shares have been hedged for periods of three to six months through the use of options. The last of these hedging options matured in December 2012. Hedging arrangements have been recognised in the financial statements for 2012 at around NOK 6.5 million net. New hedging arrangements were put in place at the beginning of 2013.

In addition to instruments of the types described above, the scheme also traded in bond futures and interest rate futures markets during 2012. Derivatives have also been used in an effective manner to adjust the equity exposure in the USA and Europe. Futures have been used effectively to invest in shares within the European healthcare sector.

NOTE 7 FINANCIAL INSTRUMENTS VALUED AT FAIR VALUE

In accordance with the Act relating to annual accounts for pension companies, financial instruments valued at fair value must be classified with regard to how fair value is measured. Such classification gives an indication of the relative uncertainty related to measurement of the different levels.

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

1. Fair value is measured using listed prices in active markets for identical financial instruments. No adjustment of these prices is carried out.
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:

	31.12.2012	Level 1	Level 2	Level 3
Shares and mutual funds	1,716,741,100	339,462,916	862,317,511	514,960,672
Bonds	2,922,384,668		2,922,384,668	0
Financial derivatives	12,646,446		12,646,446	0
Total	**4,651,772,214**	**339,462,916**	**3,797,348,626**	**514,960,672**

NOTE 8 BANK DEPOSITS

Of bank deposits related to operations of NOK 8,999,777 as at 31.12.2012, NOK 247,253 are restricted tax deduction funds.

As security for various derivative positions, the pension scheme is obliged to provide collateral in the form of locked-in bank deposits held in margin accounts. As at 31.12.2012 such locked-in bank deposits total 4,976,149 kroner.

NOTE 9 ACCOUNTS RECEIVABLES – LOSSES ON ACCOUNTS RECEIVABLES

Accounts receivables had a book value of NOK 126,672,916 and consisted of:	31.12.2012	31.12.2011
Accounts receivables related to premium income:	125,680,773	86,645,744
Accounts receivables related to loans:	992,143	699,179
Provision for potential loss:	0	0
Total accounts receivables:	**126,672,916**	**87,344,923**

Accounts receivables are recorded at par value as at 31.12.2012.

Recorded losses on receivables were as follows:	2012	2011
Realised loss on receivables:	53,352	0
Change in provision for potential loss:	0	0
Recorded loss on receivables:	**53,352**	**0**

NOTE 10 RISK EQUALISATION FUND

The risk equalisation fund shall act as a buffer against unanticipated changes in the result of insurance operations over the course of time. This type of provision is currently compulsory for private sector pension funds regulated by the new Norwegian Insurance Activity Act that came into force on 1 January 2008. Up to 50% of a positive risk result may be allocated to the risk equalisation fund. The risk equalisation fund in the pension scheme has been reversed in its entirety in 2012 to partially cover reserves for security premiums relating to the K2005 tariff.

NOTE 11 OTHER RETAINED EARNINGS

As at 31.12.2012 other retained earnings totalled NOK 421 million and, together with the securities adjustment reserve, made up the pension scheme's excess capital.

The pension scheme has calculated capital adequacy requirements using rules similar to those applicable to private pension funds in accordance with the new administrative regulations from the Ministry of Labour with effect from 2011. The requirement calculated for the guarantee fund as at 31.12.2012 is NOK 241,193,893 (see calculation in Note 16 below).

The capital adequacy requirement must be covered by other retained earnings. Other retained earnings less the capital adequacy requirement, but with the addition of the securities adjustment fund, total NOK 305,809,802. 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 corresponds to the calculated pension liabilities applied as technical reserves. These reserves must cover future pension entitlements accrued at the balance sheet date by the scheme's members. Wherever possible the amount of provision has been calculated in accordance with the guidelines applicable to private sector pension funds. This involves the calculation of the cash value of linearly accrued pension entitlements registered on the balance sheet date for deferred, potential and current benefits in accordance with standard technical insurance principles.

The basis for the calculation was the industry tariff K2005 with a basic interest rate of 3%. The safety margin for mortality relating to the K2005 tariff is being gradually introduced over a three year period from financial year 2011. The security premium was then provisionally estimated at NOK 70 million, of which NOK 24 million is charged to the annual result for the period 2011 to 2013. There is reason to believe that the final safety margin will be higher than the estimated NOK 70 million. An extraordinary provision of NOK 20 million has been made in the premium reserve in 2012, relating to this and other uncertainties.

The assumption for rates of disability was based on K1963, strengthened by a factor of 2. From 2012, the assumption for rates of disability is strengthened further by using a factor of 2.5 of K1963. The reserve requirement as a result of this strengthening is estimated to constitute around NOK 81 million spread over five years, starting in 2012 with NOK 16 million.

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

NOTE 13 PROVISION FOR EXTRAORDINARY COMMITMENTS

The EFTA Court has concluded that the differential treatment of widowers and widows of members of the Pension Scheme for the Pharmacy Sector and public sector pension schemes that took place prior to 1 October 1976 was in breach of the Equality Directive and Article 69 of the EEA Agreement. As a consequence of widowers having to be treated equally, the pension scheme was obliged to recalculate benefits for those affected by the new regulations.

This recalculation has resulted in increased benefits. In connection with the handling of the remaining cases relating to these widowers, in 2011 NOK 24.4 million was allocated for retrospective payments and additional provisions for future payments. The last of the cases was closed in 2012. In 2012, the actual payments to the widowers or their beneficiaries totalled NOK 5 million. The reserve for future payments is included in the ordinary premium reserve at year-end 2012. The provision of NOK 24.4 million was therefore reversed in its entirety in 2012.

NOTE 14 ALLOCATION OF THE RESULT FOR THE YEAR

This year's profit of NOK 28,053,411 is allocated to other retained earnings.

Other retained earnings total NOK 421 million as at 31.12.2012 and, together with the securities adjustment reserve, make up the scheme's excess capital.

NOTE 15 SPECIFICATION OF CHANGES IN RETAINED EARNINGS

As at 31.12.2012 retained earnings total NOK 420,678,538. The change in retained earnings in 2012 may be specified as follows:

Retained earnings as at 31.12.2011	392,625,127
+ Net profit for the year allocated to other retained earnings	28,053,411
= Retained earnings as at 31.12.2012	**420,678,538**

NOTE 16 CALCULATION OF CAPITAL ADEQUACY REQUIREMENT

The basis for calculating primary capital as at 31.12.2012 was as follows:

Certificates & Bonds	Balance		Risk weight		Risk-weighted balance	Risk-weighted assets, 8%
Government and central bank	552,471,273	0			0	0
Investments in state-owned enterprises	0	0.1			0	0
Public sector excluding government and central bank	431,803,085	0.2			86,360,617	6,908,849
Domestic financial institutions and foreign credit institutions	2,197,598,740	0.2			439,519,748	35,161,580
Book value of primary capital in other financial institutions	0	1			0	0
Investments in industry or other business activities	709,401,486	1			709,401,486	56,752,119
Total	**3,891,274,585**				**1,235,281,851**	**98,822,548**
Bank deposits	**87,918,556**	0.2			**17,583,711**	**1,406,697**
Share/fund investments	**1,086,709,358**	1			**1,086,709,358**	**86,936,749**
Foreign-exchange contracts	**0**	0			**0**	**0**
Derivatives	**12,646,446**	0			**0**	**0**
Housing and business loans						
Loans other than housing guaranteed by governments/central banks	4,614,233	0			0	0
Housing loans within 80% of the appraised value	219,043,388	0.35			76,665,186	6,133,215
Other lending other than housing loans	785,358	1			785,358	62,829
Total	**224,442,979**				**77,450,544**	**6,196,044**
Real estate investments	**514,960,672**	**1**			**514,960,672**	**41,196,854**
Accrued asset items						
Accounts receivables	126,672,916	0.5			63,336,458	5,066,917
Other receivables	0	0.5			0	0
Accrued dividends	3,626,792	0.5			1,813,396	145,072
Accrued interest income	506,270	0.5			253,135	20,251
Accrued premiums	18,450,000	0.5			9,225,000	738,000
Prepaid expenses	45,700	0.5			22,850	1,828
Total	**149,301,678**				**74,650,839**	**5,972,067**
Total calculation base	**5,967,254,274**				**3,006,636,976**	**240,530,958**
Derivatives and off-balance sheet items						
Foreign-exchange contracts with a remaining maturity of < 1 year	821,671,397	0.02	16,433,428	0.2	3,286,686	262,935
Interest rate contracts with a remaining maturity of < 1 year	1,000,000,000	0.005	5,000,000	0.2	1,000,000	80,000
Interest rate contracts with a remaining maturity of 1 year to 5 years	2,000,000,000	0.01	20,000,000	0.2	4,000,000	320,000
Equity contracts with a remaining maturity of < 1 year	24,247,656		0		0	0
Total calculation base including derivatives and off-balance sheet items	**9,813,173,327**				**3,014,923,661**	**241,193,893**

8% of the risk-weighted balance sheet comprises NOK 241,193,893

The basis for calculating primary capital as at 31.12.2011 was as follows:

Certificates & Bonds	Balance		Risk weight		Risk-weighted balance	Risk-weighted assets, 8%
Government and central bank	575,440,211	0			0	0
Investments in state-owned enterprises	0	0.1			0	0
Public sector excluding government and central bank	508,285,329	0.2			101,657,066	8,132,565
Domestic financial institutions and foreign credit institutions	2,080,424,915	0.2			416,084,983	33,286,799
Book value of primary capital in other financial institutions	0	1			0	0
Investments in industry or other business activities	483,487,890	1			483,487,890	38,679,031
Total	**3,647,638,345**				**1,001,229,939**	**80,098,395**
Bank deposits	**101,490,200**	**0.2**			**20,298,040**	**1,623,843**
Share/fund investments	**1,004,619,145**	**1**			**1,004,619,145**	**80,369,532**
Foreign-exchange contracts	**0**	**0**			**0**	**0**
Derivatives	**0**	**0**			**0**	**0**
Housing and business loans						
Loans other than housing guaranteed by governments/central banks	5,668,030	0			0	0
Housing loans within 80% of the appraised value	141,004,496	0.35			49,351,574	3,948,126
Other lending other than housing loans	2,502,000	1			2,502,000	200,160
Total	**149,174,526**				**51,853,574**	**4,148,286**
Real estate investments	**446,935,779**	**1**			**446,935,779**	**35,754,862**
Accrued asset items						
Accounts receivables	86,707,720	0.5			43,353,860	3,468,309
Other receivables	0	0.5			0	0
Accrued dividends	3,600,147	0.5			1,800,073	144,006
Accrued interest income	511,060	0.5			255,530	20,442
Accrued premiums	1,800,000	0.5			900,000	72,000
Prepaid expenses	489,168	0.5			244,584	19,567
Total	**93,108,095**				**46,554,047**	**3,724,324**
Total calculation base	**5,442,966,090**				**2,571,490,524**	**205,719,242**
Derivatives and off-balance sheet items						
Foreign-exchange contracts with a remaining maturity of < 1 year	733,735,110	0.01	14,674,702	0.2	2,934,940	234,795
Interest rate contracts with a remaining maturity of < 1 year	4,000,000,000	0	20,000,000	0.2	4,000,000	320,000
Interest rate contracts with a remaining maturity of 1 year to 5 years	3,000,000,000	0.005	30,000,000	0.2	6,000,000	480,000
Total calculation base including derivatives and off-balance sheet items	**13,176,701,200**				**2,584,425,464**	**206,754,037**

8% of the risk-weighted balance sheet comprises NOK 206,754,037

NOTE 17 PREMIUM CONTRIBUTIONS

Members contributed premium income totalling NOK 426,564,736 in 2012. By comparison, the book value of premium income was NOK 482,303,118. In 2011 members contributed NOK 321,275,769 in premiums, while the book value of premium income was NOK 326,729,881. 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 18 PENSIONS

Of the pension costs within the profit and loss account, NOK 1,403,743 represents write-offs of pension benefit overpayments. The corresponding figure for 2011 was NOK 464,272.

NOTE 19 ADMINISTRATIVE COSTS

Total administration costs came to NOK 17,586,070. The pension scheme has had three employees throughout 2012. The salary and social expenses relating to these three investment managers totalled NOK 6,862,505 in 2012 and are included in the administrative costs.

NOTE 20 INSURANCE-RELATED ADMINISTRATIVE COSTS

The pension scheme is managed by the Norwegian Public Service Pension Fund. In 2012 NOK 26,413,489 was charged against income in respect of the purchase of administrative services for the pension scheme, including costs relating to bookkeeping, actuarial services and pensions management. A further NOK 247,125 was charged against income for audit services – all of which related to standard audit services. Losses on receivables of NOK 53,352 were charged against income. Other operating costs totalled NOK 282,522, comprising directors' fees, miscellaneous costs and reimbursements of expenses. The total insurance-related administrative costs comprise NOK 26,996,488.

In 2012 the following renumeration was paid to the scheme's Board members:

Finn Melbø, Chairman	58,142
Kim Nordlie	58,142
Bjørn Myhre (resigned from the Board)	9,690
Edvin A. Aarnes	58,142
Kjell Hundven	58,142
Stein Gjerding (former deputy)	47,630
Total	**289,888**

NOTE 21 RETURN ON CAPITAL

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

Year:	2012	2011	2010	2009	2008
Return stated as % (value-adjusted):	6.60	2.47	7.17	10.53	– 7.89
Return stated as % (recorded):	4.35	5.00	4.61	10.35	–5.74

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

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

NOTE 22 ANALYSIS OF RESULT

Changes in pension plan:	0.00 MNOK
Yield result 1):	206.27 MNOK
Risik result 2):	- 24.99 MNOK
Recognised difference between invoiced and actual pension cost 3):	- 67.95 MNOK
Administration result:	0.00 MNOK
Insurance result:	- 113.33 MNOK

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

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

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of The Pension Scheme for the Pharmacy Sector, which comprise the balance sheet as at 31 December 2012, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

ERNST & YOUNG

Opinion

In our opinion, the financial statements of The Pension Scheme for the Pharmacy Sector have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the pension scheme as of 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 3 May 2013
ERNST & YOUNG AS

Knut Aker
State Authorised Public Accountant (Norway)

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

Statistics

Members of the Pension Scheme for the Pharmacy Sector

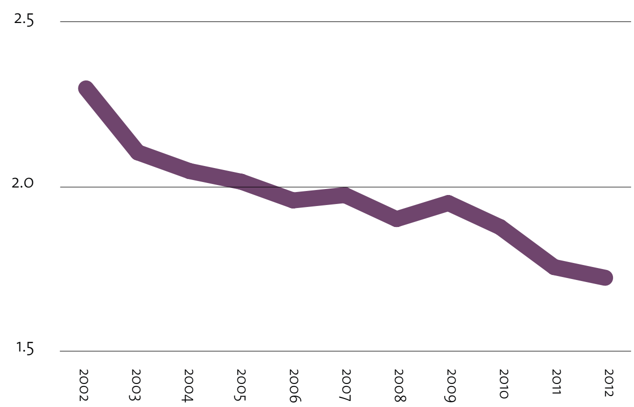
Members	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Active	5,859	5,743	5,882	5,996	6,049	6,215	6,308	6,515	6,561	6,689	7,125
Deferred*	5,061	5,273	5,547	5,642	5,855	6,005	5,673	5,783	6,093	6,245	6,386
Pensioners	2,551	2,730	2,877	2,977	3,086	3,152	3,312	3,339	3,499	3,803	4,144
Contractual pensions (AFP)			146	154	166	175	201	191	267	282	295
Retirement pensions			1371	1410	1468	1518	1601	1611	1668	1825	2088
Disability pensions			1035	1078	1113	1135	1163	1185	1217	1367	1401
Spouse pensions			290	300	37	30	323	325	323	306	336
Children's pensions			35	35	302	294	24	27	24	23	24
Ratio actively-employed members/ pensioners	2.297	2.104	2.044	2.014	1.960	1.972	1.905	1.951	1.875	1.759	1.719

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

** If you previously have been employed by an employer with an occupational pension in the Pension Scheme for the Pharmacy Sector, you may have accrued pension entitlements for a future pension. We call this a deferred pension. In the private sector, the term "paid-up policy" is used.*

Ratio of active members to pensioners

The graph shows the development of the ratio of active members to pensioners in the scheme from 2002 to 2012. In 2002 there were 2.3 active members per pensioner in the scheme, while at the end of 2012 the ratio is 1.7 active members per pensioner. A declining trend, as evidenced elsewhere in society where life expectancy is increasing and there are fewer active members to finance future pension costs. For the pension scheme, such a trend where the number of pensioners is increasing at a rate greater than the number of active-employed members, means increasing future costs to finance the coming pensioners.



Active members

Active members by position

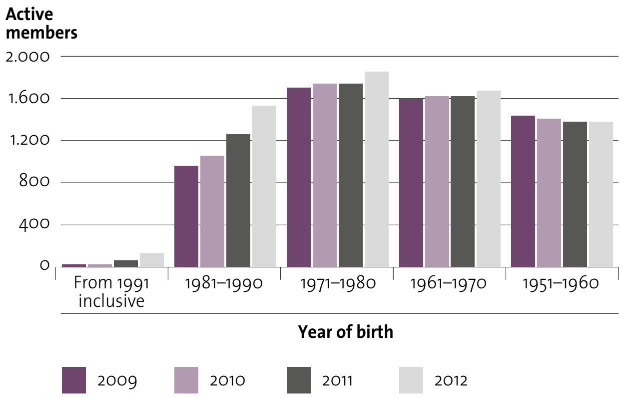
Position	2010	2011	2012 Men	2012 Women	2012 Total	Change (2011-2012)
Dispensing pharmacist	549	564	203	393	596	32
Pharmacist – master of pharmacy	741	775	198	717	915	140
Pharmacist	183	205	30	184	214	9
Prescriptionist	1,190	1,204	95	1,179	1,274	70
Laboratory assistant	5	6	2	4	6	0
Pharmacy technician	3,564	3,577	112	3,634	3,746	169
Office employee	188	198	91	124	215	17
Messenger, driver	11	8	7	2	9	1
Cleaner	57	54	1	47	48	–6
Manager	45	71	20	57	77	6
Miscellaneous	28	27	8	17	25	–2
TOTAL	**6,561**	**6,689**	**767**	**6,358**	**7,125**	**436**

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

Active members by year of birth

The table and diagram show the development in the number of actively-employed members of the pension scheme by year of birth, from 2009 to 2012. The Change column shows the change from 2011 to 2012.

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



Active members by year of birth

Active	2009	2010	2011	2012 Men	2012 Women	2012 Total	Change (2011-2012)
From and including 1991:	0	0	63	8	134	142	79
1981-1990	980	1,095	1,285	198	1,377	1,575	290
1971-1980	1,746	1,768	1,783	245	1,659	1,904	121
1961-1970	1,641	1,665	1,663	147	1,570	1,717	54
1951-1960	1,451	1,435	1,420	125	1,293	1,418	–2
Up to and including 1950	695	598	475	44	325	369	–106
TOTAL	**6,515**	**6,561**	**6,689**	**767**	**6,358**	**7,125**	**436**

Pensioners

TYPE OF PENSION	2004	2005	2006	2007	2008	2009	2010	2011	2012	CHANGE (2004-2012)
Contractual pension (AFP)	146	154	166	175	201	191	267	282	295	102 %
Retirement pension	1371	1410	1468	1518	1601	1611	1668	1825	2088	52 %
Disability pension	1035	1078	1113	1135	1163	1185	1217	1367	1401	35 %
Spouse pension	290	300	302	294	323	325	323	306	336	16 %
Children's pension	35	35	37	30	24	27	24	23	24	–31 %
Total	**2,877**	**2,977**	**3,086**	**3,152**	**3,312**	**3,339**	**3,499**	**3,803**	**4,144**	

The table shows the development in the number of pensioners from 2004 until today. The Change column shows the percentage change from 2004 to 2012.

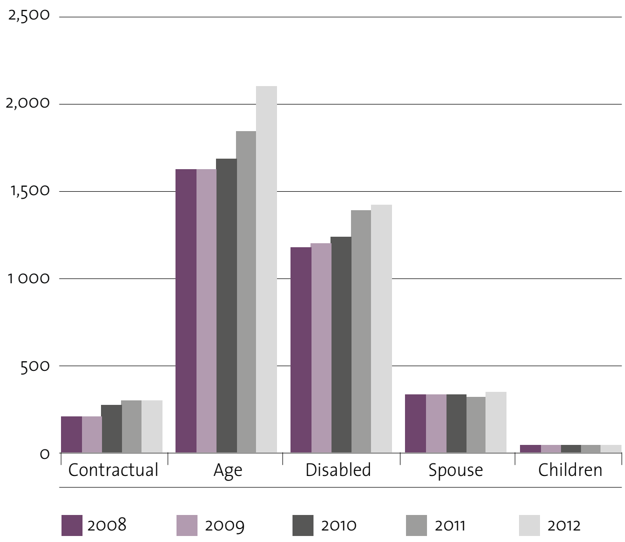
Pension benefits paid 2012

TYPE OF PENSION		GROSS PAID	%	CO-ORDINATION DEDUCTION	%	NET PAID	%
Retirement pension and contractual pension	Men	64,594,895	12.04 %	38,679,054	12.69 %	25,915,841	11.17 %
	Women	271,803,458	50.65 %	134,923,181	44.28 %	136,880,277	59.02 %
	Total	**336,398,353**	**62.69 %**	**173,602,235**	**56.98 %**	**162,796,118**	**70.20 %**
Disability pension	Men	10,306,524	1.92 %	6,604,860	2.17 %	3,701,664	1.60 %
	Women	157,723,692	29.39 %	107,516,340	35.29 %	50,207,352	21.65 %
	Total	**168,030,216**	**31.31 %**	**114,121,200**	**37.45 %**	**53,909,016**	**23.25 %**
Spouse pension	Men	12,267,624	2.29 %	6,655,116	2.18 %	5,612,508	2.42 %
	Women	18,956,916	3.53 %	10,312,620	3.38 %	8,644,296	3.73 %
	Total	**31,224,540**	**5.82 %**	**16,967,736**	**5.57 %**	**14,256,804**	**6.15 %**
Children's pension	Men	525,024	0.10 %	–	0.00 %	525,024	0.23 %
	Women	429,288	0.08 %	–	0.00 %	429,288	0.19 %
	Total	**954,312**	**0.18 %**	**–**	**0.00 %**	**954,312**	**0.41 %**
All pension types	Men	87,694,067	16.34 %	51,939,030	17.05 %	35,755,037	15.42 %
	Women	448,913,354	83.66 %	252,752,141	82.95 %	196,161,213	84.58 %
	Total	**536,607,421**	**100.00 %**	**304,691,171**	**100.00 %**	**231,916,250**	**100.00 %**

The table shows the amount of pension benefit payments made in 2012, grouped by type of pension benefit and specified by gender. All amounts are given in NOK.

The gross total shows the total amount paid by the National Insurance and the Pension Scheme for the Pharmacy Sector. The net total amount shows the pensions scheme's share, i.e. how much more the members have received than if they had only received their pension from the National Insurance scheme.

Number of pensions



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

Retirement pensioners by age limit upon drawing of pension

	2011			2012		
Age limit	**Men**	**Women**	**TOTAL**	**Men**	**Women**	**TOTAL**
65 years	3	253	**256**	1	241	**242**
68 years	90	1,262	**1,352**	96	1,399	**1,495**
70 years	133	366	**499**	146	500	**646**
Total	**226**	**1,881**	**2,107**	**243**	**2,140**	**2,383**

The table shows the number of early retirement pensioners and old-age pensioners given the age at which they drew their retirement pension, specified by gender for 2011 and 2012.

The age limit is set by the position in which you are employed, and is the time at which you must leave your position. The number of pensioners with an age limit of 65 will be phased out. This follows changes to the legislation, in which the age limit for retirement was gradually increased to 70 for all groups. The last change was made in 2007.

Disability pensioners' degree of disability

	2011	2012
Degree of disability		
<=25%	**72**	**79**
26 – 50%	**182**	**199**
51 – 75%	**28**	**27**
76 – 99%	**5**	**8**
100 %	**1,080**	**1,088**
Total	**1,367**	**1,401**

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

Degree of disability 2012

The figure shows the disability pensioners' various degrees of disability as a percentage of all disability pensioners. Almost 80% of those who receive a disability pension from the pension scheme have a degree of disability of 100%. Only 3% of those receiving disability pensions have a degree disability of between 50% and 99%, while less than 20% of disability pensioners have a degree of less than 50%. Unlike National Insurance, the Pension Scheme for the Pharmacy Sector is able to grant disability pensions at a degree of disability of less than 50%.

Pension glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Definitions and phrases, investment management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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