PENSJONSORDNINGEN
FOR APOTEKVIRKSOMHET

THE PENSION SCHEME FOR THE PHARMACY SECTOR

The Pension Scheme for the Pharmacy Sector manages the pension entitlements for employees in the pharmacy sector. The Pension Scheme was established in 1953 and is a statutory collective pension scheme. The scheme is subject to regulations that are closely linked to those covering public sector occupational pensions, even though the members of the Pension Scheme for the Pharmacy Sector come from both the private and the public sector.

Dispensing pharmacists and permanent employees in pharmacies who work an average of at least 15 hours a week are entitled and obliged to become members of the pension scheme. In addition to the employees at approx. 770 pharmacies, the scheme has members from certain other businesses which are closely associated with the pharmacy sector and who have applied for membership. The pension scheme has approximately 7,200 active members and 4,300 pensioners.

The Pension Scheme for the Pharmacy Sector is a defined benefit pension scheme. This means that the maximum total pension from the National Insurance Scheme[i] and the Pension scheme for the Pharmacy Sector constitutes 66 percent of final salary for a member with full accrual (360 months) prior to age adjustment. The contribution base is maximized to 10 times the National Insurance base amount (G). The pension is coordinated with pension from the National Insurance Scheme. In addition to 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.

Administration

The Act on the Pension Scheme for the Pharmacy Sector stipulates that the Norwegian Public Service Pension Fund (SPK) [ii] shall manage the scheme in accordance with regulations issued by the Ministry of Labour and Social Affairs.

The Board of Directors of the Pension Scheme for the Pharmacy Sector is the scheme's decision-making body. The CEO of the Norwegian Public Service Pension Fund is head of The Board and has four additional members, each with a personal deputy. The Ministry of Labour and Social Affairs appoint the Board with a four-year mandate following nominations from the employers' associations and the employee unions. Two of the nominated members shall represent employers, while one Board member represents each pharmacists and technical staff.

Pensions

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

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 reduces 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 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 calculates the pension according to the National Insurance Schemes 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 the 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 changes to a retirement pension.

It is not possible to combine Contractual pension from the pension scheme with drawing a retirement pension from the National Insurance scheme.

Disability pension

With effect from 2015 new rules for disability pension were introduced.
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, can be entitled to disability pension. 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. Disability pensions does not adjust for duration of age.

Calculation of disability pension is dependent of the qualifying period and how much of the earning ability which is lost.

If the earning ability is permanently lost and one receives work assessment allowance from the National Insurance Scheme (NAV), the disability pension is calculated as the sum of:

- 25% of G (but less than 6% of the contribution base)
- 3% of the contribution base up to 6 G
- 69 % of the contribution base between 6 and 10 G

If your earning ability is reduced, but not to such an extent that you receive disability benefits or work assessment allowance from the National Insurance Scheme, the disability pension will be calculated as the sum of:

- 25 % of G (but less than 6% of the contribution base)
- 69 % of the contribution base up to 10 G (credit will be given for the pension entitlement the member could have accrued if he or she had remained in the qualified position up to the age of 67.

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 coordinated with benefits from the National Insurance Scheme. The new rules for net pension benefits however, do not 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 apply in many cases.

Deferred pension

Members who leave a qualifying position without retiring are entitled to a future pension from the pension scheme - 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 agreement. The agreement means that if you have previously accrued pension entitlements in another pension scheme, the accrued entitlement transfers 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 coordinated with benefits from other public sector pension and social security schemes, primarily the National Insurance Scheme. Changes in rates of National Insurance are therefore very important for determining the level of deductions.

Pension adjustments

If the pension scheme's finances allow, the Board of Directors can adjust pensions from the Pension Scheme for the Pharmacy sector in line with decisions. The Board considers adjustment in relation to expected salary increases in the pharmacy sector and adjustment of the 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 pension, as well as disability and dependents' pensions from 67 years of age, is subject to a 0.75 per cent deduction.

The Housing Loan Scheme

All members of the Pension Scheme for the Pharmacy Sector are eligible to benefit from the housing loan scheme.

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 existing mortgages.
At present, the interest rate on housing loans is 3.5 per cent.

Investment management

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 large fluctuations in the premium. The investment management unit of SPK manages the funds of the Pension Scheme for the Pharmacy Sector.

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 based on 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).

[i] The National Insurance Scheme (Folketrygden) - All Norwegian citizens and individuals working in Norway are automatically qualified for membership of the Norwegian National Insurance Scheme, a government insurance scheme entitling members to pensions (e.g. old age, survivors, disability) as well as benefits in connection with industrial accidents, accidents and illness, pregnancy, birth, single parent families and funerals. There are many different regulations for working in Norway depending on whether you are a resident of an EEA/EU country, a country with a health insurance agreement with Norway or from countries outside EEA/EU that do not have a health insurance agreement with Norway.

For more information:
https://www.nav.no/English/Membership+in+The+National+Insurance+Scheme

[ii] The Norwegian Public Service Pension Fund (SPK) is Norway's main provider of public occupational pensions. The Ministry of Labour owns SPK, and the framework conditions are determined by the Norwegian parliament. On behalf of the Norwegian state, SPK administer pension entitlements of 339 billion Norwegian kroner for 1,600 organisations and 950,000 former and existing employees in the public sector, schools, research institutions, pharmacy businesses and organisations