ACCRUED-TO-DATE PENSION ENTITLEMENTS IN SOCIAL INSURANCE: FACT SHEET

Norway

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Table of Contents

1. Table 29 column A: Defined contribution schemes (funded, non-general government)	2
2. Table 29 column B: Defined benefit schemes and other non-defined contribution schemes (funded, non- general government)	5
3. Table 29 column D: Defined contribution schemes (funded, general government)	8
4. Table 29 column E: Defined benefit schemes (funded, for general government employees, classified in financial corporations)	8
5. Table 29 column F: Defined benefit schemes (funded, for general government employees, classified in general government)	.10
6. Table 29 column G: Defined benefit schemes (unfunded, for general government employees, classified in general government)	.11
7. Table 29 column H: Social security pension schemes (unfunded)	.13
8. Table 29 column K: Entitlements of non-resident households	.16
9. Links to (national) publications providing further information on the pension schemes	.16

1. Table 29 column A: Defined contribution schemes (funded, non-general government)

1. General description of the scheme and the calculation model

a. Coverage of the scheme

A new pensions act entered into force on 1st January 2006 – the mandatory occupational pension act (the OTPact). The OPT-act covers all employees outside general government (private sector) and requires that an employee must have a pension accrual of at least 2% of wages. If a company (the employer) has an occupational pension scheme, this requirement is met. If not, an individual pension savings agreement will be set up to meet the claim. Individual savings agreements are not included in table 29.

The occupational pension schemes for employees in the private sector and local government (including employees in state owned hospitals) are administered and partly managed by life insurance companies and pension funds. The information used for filling in columns A, B and E of Table 29 is taken from the two credit market statistics data bases FORT (insurance companies) and PORT (pension funds).

The following table lists the classification of branches in the statistics reports relevant to column A.

Codes of branches in the statistics reports relevant to Table 29

Code		Text	Legal basis	Voluntary/ mandatory
0840	Defined contribution schemes		Defined contribution pension act	Voluntary for employers to offer to employees. Most employees participate if they are offered. Both parts can make contributions.
0845	Defined co choice	ntribution schemes without investment		
0847	Defined co	ntribution schemes with investment choice		
0848	Defined con certificates w	ntribution schemes, pension capital /ithout investment choice		
0849	Defined contribution schemes, pension capital certificates with investment choice			
h Instit	utional set un			
Data sources/ Statistics Norway suppliers General The data source is the statistics on Financial corporations (S12) con by Statistics Norway.) compiled and released		
	With respect to coverage of insurance companies and pension funds the institution subject to government supervision and hence covered in the basic statistics. The borderline between insurance enterprises and social security funds conforms to ES			funds the institutions a asic statistics. The unds conforms to ESA

and SNA rules. It could also be mentioned here that there are none specialized re- insurance companies in Norway. Re-insurance is thus an activity performed solely by direct insurance companies.
 Sources used: Credit market statistics, accounts of insurance companies in database FORT Credit market statistics, accounts of pension funds in database PORT
Credit market statistics produced by Statistics Norway cover accounts of units classified as financial corporations. These units comprise Norges Bank (i.e. the central bank of Norway), commercial banks, savings banks, state banks, credit enterprises, financial companies, life insurance companies, non-life insurance companies, private pension schemes, municipal pension schemes, joint pension under Collective Agreements etc., and unit trust and mutual investment fund.
The credit market statistics are based on reporting procedure made initially in the tripartite collaboration between the Financial Supervisory Authority of Norway, Norges Bank (the central bank) and Statistics Norway. The reporting is a census and the data is based on reconciled accounting data from the financial institutions. All data are reported electronically via the official Norwegian portal Altinn. The reporting institutions receive automatic feedback on errors or possible errors in the reporting. These errors should be corrected within two days. After data processing in Statistics Norway, the reporting institutions may be asked to control, verify or correct other data not included in the automatic feedback. Corrections from the reporting institutions are received continuously. The accounting statistics for the financial institutions is based on current accounting regulations for financial institutions.
The reporting system for the financial corporations was initially designed in the mid- 1980s with the aims at also serving all national accounts purposes, in addition to the needs of the supervisory authorities. The reports thus give enough details to be used directly in the estimations of both the Supply and Use Tables of the national accounts and the Institutional Sector Accounts.
 For example, for insurance companies, in total 9 different formulas/reports (FORT) are submitted: (10) Balance sheet, quarterly (11) Supplementary items RoW, quarterly (20) Profit and loss accounts, annual (21) Profit and loss accounts, quarterly (38) Supplementary profit and loss items RoW, annual (46) Profit and loss + balance sheet by type of scheme, annual (50) Balance sheet, annual (51) Supplementary balance sheet (fixed capital a.o.), annual (60) Supplementary balance sheet RoW
To illustrate the level of detail in this source it can be stated that the profit and loss accounts reports, both quarterly and annual, specify in total about 600 lines, and report no. 46 specify about 1 300 lines.
The compilations are based on reports 20 and 50 for both life insurance corporations and pension funds. Additionally, report 46 is included in the bases of the compilations of pension schemes that are administered and partly managed by the life insurance corporations.

	For more details, see:		
	http://www.ssb.no/en/bank-og-finansmarked/statistikker/banker/aar/2016-06-		
	<u>17?fane=om#content</u> .		
	http://www.ssb.no/innrapportering/naeringsliv/fort		
	http://www.ssb.no/innrapportering/naeringsliv/pensjonsfond		
	Column A:		
	Only life insurance companies are involved in defined contribution schemes, so the		
	figures in column A is based on the reports from those companies.		
Which institution is	Statistics Norway is responsible for collecting the data and conducting the estimations		
running/managing	on the collected data. For column A, the figures are extracted from the detailed credit		
the calculations?	market statistics reports of the life insurance companies. Some of the data lifted from		
	the company reports are the results of internal actuarial estimations of the companies.		
	Statistics Norway is conducting some estimations on the reported data. For example:		
	the split of household social contributions supplements on column A and column B is		
	achieved using a ratio taken from the balance sheet.		
2. Any other comments			
Table 29 covers only occupational pension arrangements, core national accounts tables currently include also			
individual pension schemes. Table 29 also includes methodological amendments to pensions recording that			
were not yet incorporated into core national accounts tables.			

2. Table 29 column B: Defined benefit schemes and other non-defined contribution schemes (funded, non-general government)

1. General description of the scheme and the calculation model

a. Coverage of the scheme

A new pensions act entered into force on 1st January 2006 – the mandatory occupational pension act (the OTPact). The OPT-act covers all employees outside general government (private sector) and requires that an employee must have a pension accrual of at least 2% of wages. If a company (the employer) has an occupational pension scheme, this requirement is met. If not, an individual pension savings agreement will be set up to meet the claim. Individual savings agreements are not included in table 29.

The occupational pension schemes for employees in the private sector and local government (including employees in state owned hospitals) are administered and partly managed by life insurance companies and pension funds. The information used for filling in columns A, B and E is taken from the two credit market statistics data bases FORT (insurance companies) and PORT (pension funds).

The collectively agreed pension scheme in the private sector (AFP) is an early retirement pensions scheme (for employees outside general government) and is included column B. The data source is annual accounts.

The following table lists the classification of branches in the statistics reports relevant to column B.

Codes of branches in the statistics reports relevant to Table 29

Code	Taut	logal basis	Voluntary/
Coae	Iext	Legai basis	manaatory
0830	830 Company pension, defined benefit schemes		Voluntary for employers to offer to employees. Most employees participate if they are offered. Both parts can make contributions.
0831	Company pension schemes without investment choice		
0832	Company pension schemes with investment choice		
0835	Company pension schemes, free policies without investment choice		
0836	Company pension schemes, free policies with investment choice		
0839	Company pension schemes without profit sharing		
0850	Occupational pension, hybrid scheme (reclassified)	Occupational pension act	Voluntary for employers to offer to employees. Most employees participate if they are offered. Both parts can make contributions
0851	Occupational pension schemes without investment choice		
0852	Occupational pension schemes with investment choice		
0855	Occupational pension schemes, pension certificate without investment choice		
0856	Occupational pension schemes, pension certificate with investment choice		

0859	Occupation	al pension schemes without profit sharing		
	The collectively agreed pension scheme in the private sector (AFP), hybrid scheme		AFP grant act (tariff- based pension scheme)	Voluntary scheme; When an employee turns 62 years old, he or she can apply for early retirement from the AFP scheme. Employees largely determine themselves when he or she want to draw on AFP-rights. A prerequisite is that employee work for a company that is bound by a tariff agreement with AFP right up until the employee start receiving his or her pension.
b. Insti	tutional set-up			
Data sources/ suppliers Statistics Norway and Fellesordningen for AFP (administrative unit). Suppliers General: Please refer to description given for column A. AFP is a private sector tariff-based pension scheme. The AFP scheme is based on a tripartite collaboration between employers' organizations, employees' organizations and central government. The state covers 1/3 of the costs of AFP, while the companie the employers cover the remaining 2/3. AFP is an ungraded lifelong supplement to th retirement pension from National Insurance scheme. The pension fund, - managed by the "Fellesordningen for AFP"-, is financed by premiu payments from companies that are members of the scheme (companies that have a tariff-agreement with AFP). These are funds that will be paid to the pensioners in futu periods. https://www.afp.no/om-oss/arsrapport Column B: Both life insurance companies and pension funds are involved in defined benefit schemes, so the figures in column B is based on the reports from both those types of companies. However, some estimations have been done to split reported figures between column A and column B.				
Which running the cal	institution is g/managing culations?	Statistics Norway is responsible for collecting the data and conducting the estimations on the collected data. For column B, the figures are extracted from the detailed credit market statistics reports of both the life insurance companies and the pension funds. Some of the data lifted from the company reports are the results of internal actuarial estimations of the companies. Statistics Norway is conducting some estimations on the reported data. For example: the split of household social contributions supplements on column A and column B is achieved using a ratio taken from the balance sheet.		

Benefit formula	
Indexation of	
benefits	

d. Type and structure of the calculation model

2. Assumptions and methodologies applied

a. Discount rate

Weighted interest rate guarantees for those parts of the insurance capital where there are interest rate guarantees. This means guaranteed interest on premium reserves, additional provisions and premium funds for life insurance corporations and premium reserves and premium funds for pension funds. The source is the Financial Supervisory Authority of Norway.

	Non-general government / Column B		
	Life insurance	Pension funds	
	corporations		
2015	3.17 %	2.80 %	
2016	3.14 %	2.82 %	
2017	3.08 %	2.68 %	
2018	3.03 %	2.59 %	
2019	2.95 %	2.58 %	
2020	2.90 %	2.50 %	
2021	2.88 %	2.42 %	

b. Wage growth

c. Valuation method: ABO/PBO

ABO

3. Data used to run the model

a. Mortality tables

b. Entitlement statistics; other relevant statistics

4. Reforms incorporated in the model

5. Specific assumptions

a. How are careers modelled?

b. How are survivor pensions calculated?

c. How is the retirement age modelled over time?

d. Other specific features of the model

6. Any other comments

Table 29 covers only occupational pension arrangements, core national accounts tables currently include also individual pension schemes. Table 29 also includes methodological amendments to pensions recording that were not yet incorporated into core national accounts tables.

3. Table 29 column D: Defined contribution schemes (funded, general government)

1. General description of the scheme and the calculation model		
a. Coverage of the schem	e	
This type of pension sche	me does not exist in Norway.	
b. Institutional set-up		
Data sources/ suppliers		
Which institution is		
running/managing the		
calculations?		
2. Any other comments		

4. Table 29 column E: Defined benefit schemes (funded, for general government employees, classified in financial corporations)

1. General description of the scheme and the calculation model

a. Coverage of the scheme

The occupational pension schemes for employees in the private sector and local government (including employees in state owned hospitals) are administered and partly managed by life insurance companies and pension funds. The information used for filling in columns A, B and E is taken from the two credit market statistics data bases FORT (insurance companies) and PORT (pension funds). The following table lists the classification of branches in the statistics reports relevant to column E.

Codes of branches in the statistics reports relevant to Table 29

Code		Text	Legal basis	Voluntary/ mandatory
0870	Collective pension insurance for municipalities, including institutions with similar pension schemes. Defined benefit schemes only.		Act on occupational retirement pensions	Mandatory for municipalities to offer the scheme to its employees.
0871	Collective pen benefit schemes	sion insurance for municipalities, defined without investment choice		
0875	Collective pension insurance for municipalities, defined benefit schemes with investment choice			
0876	Collective pension insurance for municipalities, established rights			
Data sources/ suppliers Statistics Norway				
	, /////// //	General: Please refer to description given for colum	n A.	

Column E: Both life insurance companies and pension funds are involved in defined benefit schemes for general government employees, so the figures in column E is based on

	the reports from both those types of companies. See separate methodology note Estimating Pension Entitlements in Norwegian core national accounts.
Which institution is running/managing the calculations?	Statistics Norway is responsible for collecting the data and conducting the estimations on the collected data. For column E, the figures are extracted from the detailed credit market statistics reports of both the life insurance companies and the pension funds. Some of the data lifted from the company reports are the results of internal actuarial estimations of the companies. Statistics Norway is conducting some estimations on the reported data. For example: the split of household social contributions supplements on column A and column B is achieved using a ratio taken from the balance sheet.
c. Major formulas: Benefi	t formula; Indexation of benefits
Benefit formula	

Indexation of benefits

d. Type and structure of the calculation model

2. Assumptions and methodologies applied

a. Discount rate

Weighted interest rate guarantees for those parts of the insurance capital where there are interest rate guarantees. This means guaranteed interest on premium reserves, additional provisions and premium funds for life insurance corporations and premium reserves and premium funds for pension funds. The source is the Financial Supervisory Authority of Norway.

	General government / Column E		
	Life insurance	Pension funds	
	corporations		
2015	2.49 %	2.60 %	
2016	2.44 %	2.59 %	
2017	2.38 %	2.48 %	
2018	2.32 %	2.48 %	
2019	2.30 %	2.39 %	
2020	2.27 %	2.37 %	
2021	2.08 %	2.33 %	

b. Wage growth

c. Valuation method: ABO/PBO ABO

3. Data used to run the model

a. Mortality tables

b. Entitlement statistics; other relevant statistics

4. Reforms incorporated in the model

5. Specific assumptions

a. How are careers modelled?

b. How are survivor pensions calculated?

c. How is the retirement age modelled over time?

d. Other specific features of the model

6. Any other comments

5. Table 29 column F: Defined benefit schemes (funded, for general government employees, classified in general government)

1. General description of the scheme and the calculation model		
a. Coverage of the scheme		
This type of pension scheme does not exist in Norway.		
b. Institutional set-up		
Data sources/ suppliers		
Which institution is		
running/managing the		
calculations?		
c. Major formulas: Benefit formula; Indexation of benefits		
Benefit formula		
Indexation of benefits		
d. Type and structure of the calculation model		
2. Assumptions and methodologies applied		
a. Discount rate		
b. Wage growth		
c. Valuation method: ABO/PBO		
3. Data used to run the model		
a. Mortality tables		
b. Entitlement statistics; other relevant statistics		
4. Reforms incorporated in the model		
5. Specific assumptions		
a. How are careers modelled?		
b. How are survivor pensions calculated?		
C. HOW IS THE RETIREMENT AGE MODELLED OVER TIME?		
d Other energific fortunes of the model		
a. Other specific features of the model		
o. Any other comments		

6. Table 29 column G: Defined benefit schemes (unfunded, for general government employees, classified in general government)

1. General description of the scheme and the calculation model

a. Coverage of the scheme

Occupational pensions (including early retirement) in the Central Government Sector administrated by the Norwegian Public Service Pension Fund is the only scheme recorded under this column. About 13 % of the workforce is covered by the scheme. The following benefits are included:

- Net value of old-age occupational pensions (net when coordination with benefits from the National Insurance System is taken into consideration).
- Net value of disability pensions.
- Net value of survivors' pensions (a minor amount) is not included due to technical challenges.
- Early retirement benefits.

Contributions are paid by the employees and employers. Employees' contributions correspond to 2% of wages (fixed rate). Two regimes exist for the payment of contributions from employers. Group A employers: contributions are calculated by the Norwegian Public Service Pension Fund for each employer individually, and are usually in the range of 12-14% of wages. Group B employers: contributions correspond to 12% of wages (fixed rate). Group A employers constitutes approximately 70% of the total – and group B members 30%.

b. Institutional set-up	
Data sources/ suppliers	Administrative data for labour incomes (and thereby pension entitlements) up to date merged with data relevant for retirement age and mortality (among others gender, education and disability). The data are used together with detailed pension rules to calculate accrued to date pension liabilities by using a dynamic microsimulation model.
Which institution is	Statistics Norway, Research Department
running/managing the	
culculutions:	it formula: Indevation of henefits
<u>c. Major formulas: Benefi</u> Benefit formula	It formula; Indexation of benefitsSeveral complicated pension rules are incorporated in the model. For general government employees born before 1963 benefits from the scheme are linked to labour incomes in the last years before retirement for those who have retired. Incomes from the past years up to date are used for those still in work when calculating the liabilities. In the calculation of accrued to date liabilities this income level is indexed by general wage growth between now and retirement. The main formal rule is that total benefits from occupational pensions and the National Insurance system (NIS) should amount to 66 % of observed labour income if enough years for full benefits and before life-expectancy adjustment. But complicated coordination rules with the benefits from NIS may provide total benefits to be somewhat higher than 66 %. 30 years of accumulation have been necessary to obtain full old-age benefits for those who are still employed in the government sector when retiring. 40 years of employment are needed for those who have left the government sector prior to retirement. According to standard practice, this is also assumed when calculating accrued to date liabilities for persons still employed in the general government also have to be included.For persons born 1963 or later a settlement on how to adapt occupational pensions

	annual supplement from occupational pensions will be added to the benefits from	
	NIS when these cohorts retire after the age of 62.	
	-	
Indexation of benefits	Before retirement: Indexation of entitlements by average wage growth	
	After retirement: Indexation of benefits by average wage growth minus 0.75 %	
d. Type and structure of t	he calculation model	
Dynamic microsimulation	n model for the entire Norwegian Population.	
2. Assumptions and met	hodologies applied	
a. Discount rate		
Real rate of interest 3 % f	for 2015 and 2 % for 2016-2021.	
b. Waae arowth		
Average growth in real w	ages 1 %.	
Only the net rate of inter	est (2 % for 2015 and 1 % for 2016-2021) is relevant for the calculation	
c Valuation method: ABC		
ABO For persons born 19	263 and later, earlier occupational pensions entitlements for employees in the	
Government sector accru	led by the end of 2019 are transferred to a pension wealth that is further indeved by	
average wage growth Th	is is also the case for new entitlements accumulated from 2020 and later. For persons	
horn before 1963 occurs	tional pensions in the Government sector are based on wages observed before the	
age of retirement Future	career may thus be of importance for calculation of accrued to date liabilities. A	
nrohahly stronger wage	prowth than average should have been taken into account for younger employees	
while elderly workers abo	sowin than average should have been taken into account for younger employees,	
is uncertain and probably	small we have for simplicity not taken projections of careers for these persons into	
account	sinal we have for simplicity not taken projections of careers for these persons into	
2 Data used to run the r	nodol	
3. Data used to full the fi	nodel	
Observed mertality by an	in up to data from Statistics Norway, and projected mortality rates in accordance with	
Observed mortality by age up to date from Statistics Norway, and projected mortality rates in accordance with		
h Entitlement statistics	ather relevant statistics	
D. Entitlement statistics; other relevant statistics		
Detailed information regarding up to date labour incomes is collected from the Norwegian Labour and Welfare		
Administration.	Participand d	
4. Reforms incorporated		
General reform effects and partial adaption of Government occupational pensions in 2011. Final adaption of		
occupational pensions to	r those born in 1963 agreed upon in 2018.	
5. Specific assumptions		
a. How are careers mode	lled?	
Further projections of car	reers are not included.	
b. How are survivor pensi	ions calculated?	
Survivors' benefits for old	d-age pensioners are included as a part of the old-age pension system both for the	
National Insurance System	m and occupational pensions in the government sector.	
Survivors' benefits connected to a person with entitlements for occupational pensions in the Government		
Sector where the remaining spouse has not retired for old-age pension are not properly modelled yet.		
c. How is the retirement of	age modelled over time?	
With the new system for those born in 1963 or later, retirement is assumed to develop as in the private sector.		
The main assumption made for NIS is that retirement age will increase with 2/3 of the increase in remaining		
life-expectancy at the rate of retirement. In line with the 2015-calculations, retirement for government		
employees born before 1963 is only minorly affected.		
d. Other specific features of the model		
6. Any other comments		
L		

7. Table 29 column H: Social security pension schemes (unfunded)

1. General description of the scheme and the calculation model

a. Coverage of the scheme

The National Insurance System (NIS) includes every person resident in Norway. For immigrants at least three years of residence is needed to get entitled to benefits from the long-term arrangements included in the calculation of accrued to date liabilities:

- Old-age pensions including entitlements against the Norwegian pension system for persons living abroad
- Disability pensions
- Survivors' pensions

The pension benefits in NIS constitute non-autonomous parts of the Central Government budget and are financed pay-as-you-go. While the former system for old-age benefits from 1967 was based on defined benefits, the new system from 2011 may be characterized as Notional Defined Contributions (NDC).

The National Insurance System is financed by contributions from employees, self-employed persons and other members, employers' contributions and contributions from the central government. Contributions from employees and self-employed persons are calculated on the basis of pensionable income. The contribution rate for employees is 8.2 per cent of the pensionable income (gross wage income). The contribution rate for a self-employed person is 11.4 per cent of the pensionable income (income from self-employment). The contribution rate for other kinds of personal income (pensions etc.) is 5.1 per cent. The employers' contributions are assessed as a percentage of paid out wages. The employers' contributions are differentiated according to where the enterprises are established. There are regional zones based on geographical situation and level of economic development. The employers' contribution rates in these zones vary from 0.0 per cent to 14.1 per cent.

b. Institutional set-up	
Data sources/ suppliers	Administrative data for labour incomes (and thereby pension entitlements) up to date merged with data for characteristics relevant for retirement age and mortality (among others gender, education and disability). The data are used together with
	detailed pension rules to calculate accrued to date pension liabilities by using a dynamic microsimulation model.
Which institution is	Statistics Norway, Research Department
running/managing the	
calculations?	
c. Major formulas: Benefi	it formula; Indexation of benefits
Benefit formula	Several complicated pension rules are incorporated in the model. Accrued to date entitlements for old-age pensions in NIS are based on former labour incomes registered up to date. With the new system registered labour incomes for every year up to 7.1 Basic amounts (BPU) corresponding to about 120 % of average incomes count. With the old system yearly incomes above 1 BPU (corresponding to 1/6 of average income) count, while incomes between average incomes and twice average incomes only count with 1/3. Full pension was obtained after 40 years with labour incomes above 1 BPU, and in the calculation of accrued to date liabilities pension entitlements are curtailed pro rata per year relative to 40 for persons with not enough years at the time for calculating. Calculations of pension entitlements were also based on the 20 best years of income. As a transition rule in the new pension system from 2011 pension entitlements for persons born up to 1953 are entirely based on accumulation rules from the old system, while accumulation of entitlements for those born in 1963 and later are entirely based on the rules from the new system. The weight for the new system increases with 10 percentage points
	the new system. The weight for the new system increases with 10 percentage points from the persons born in 1954 to the cohorts born in 1963.

	With the new system annual benefits are calculated by dividing accumulated entitlements by divisors mainly reflecting expected remaining life-expectancy at the age of retirement. The actuarial system where benefits depend on age of retirement and remaining life-expectancy was also introduced in 2011 for entitlements based on the old rules for accumulation by an approach relating benefits relative to the corresponding calculation of remaining life-expectancy for the 1943-cohort who retired at age 67 in 2010. The transition rule is thus relevant for the divisors used to calculate appual benefits	
	Levels of minimum pension of at present 2 BPU (corresponding to 1/3 of average labour incomes) for singles and 1.9 BPU for couples are maintained with the new system. While minimum pensions were curtailed with 100 per cent against income pensions with the old system the guarantee pension in the new system is only curtailed by 80 per cent.	
	A new system for disability pensions was decided in 2014 and implemented from January 1, 2015. In the new system benefits are linked to 66 per cent of the wage before getting disabled. With the old system calculation of disability benefits was based on the same method as for the former for old-age pensions. Disabled persons are transferred to old-age pensions at the age of 67. Because disabled are not able to postpone retirement to maintain the level of benefits when life-expectancy increases, life-expectancy adjustments are only one half of what is the case for non- disabled. As disability pensions with the new system are taxed like wages, benefits were somewhat increased with the new system relative to the old where benefits were more lenient taxed as old-age pension benefits.	
	Survivors' pensions were established as a part of the former system for old-age pensions, and have not yet been adapted to the new system. Given some conditions about own incomes and common children, a surviving spouse may get extra pension benefits dependent on accumulated entitlements of the deceased spouse. If the surviving spouse receives old-age benefits, the calculation of entitlements are included in the entitlements for old-age pensions. In this case the surviving spouse has the right to a supplementary survivor's pension equal to 55 per cent of her own and her husband's supplementary pension if this amount is larger than her own entitlements for supplementary/income dependent pension. Entitlements for surviving spouses not receiving old-age pensions are calculated separately. These entitlements are curtailed against own wages by 40% of the wages in excess of ½ BPU. Survivors' pensions are being phased out. The current survivor's pension will in 2024 be replaced by an adjustment allowance.	
Indexation of benefits	Before retirement: Indexation of entitlements by average wage growth After retirement: Indexation of benefits by average wage growth minus 0.75 % for the years 2015-2020. From 2021, indexation of benefits by an average of price and wage growth.	
d. Type and structure of t	he calculation model	
Dynamic microsimulation	n model for the entire Norwegian Population.	
2. Assumptions and methodologies applied		
a. Discount rate		
Real rate of interest 3 % for 2015 and 2 % for 2016-2021.		
b. Wage growth		
Average growth in real wages 1 %.		
Only the net rate of interest (2 % for 2015 and 1 % for 2016-2021) is relevant for the calculation.		
c. Valuation method: ABO/PBO		

ABO. Old-age pension entitlements in NIS are indexed by average wage growth, and future personal career is of no relevance for accrued to date liabilities.

3. Data used to run the model

a. Mortality tables

Observed mortality by age up to date from Statistics Norway and projected mortality rates in accordance with the AWG projections.

b. Entitlement statistics; other relevant statistics

Detailed information regarding up to date labour incomes is collected from the Norwegian Labour and Welfare Administration.

4. Reforms incorporated in the model

Calculations are based on the rules for the new old-age system while rules for accumulation of entitlements from the old system are still valid both because of the transition rules and because of existing pension benefits based on the old rules.

5. Specific assumptions

a. How are careers modelled?

Because entitlements for old-age benefits in NIS are indexed by average wage growth, further projections of careers are not relevant for calculation of accrued to date liabilities.

b. How are survivor pensions calculated?

Survivors' benefits for old-age pensioners are included as a part of the old-age pension system. Survivors' benefits where the remaining spouse has not retired for old-age pension yet are included in a separate calculation. Survivors' pensions are being phased out. The current survivor's pension will in 2024 be replaced by an adjustment allowance.

c. How is the retirement age modelled over time?

The main assumption made for NIS is that retirement age may increase with 2/3 of the increase in remaining life-expectancy at the rate of retirement.

d. Other specific features of the model

6. Any other comments

The decomposition of the change in entitlements in the table gives an inaccurate view of the financing of the Norwegian NIS. The amount in row 2.4, corresponding to 2 per cent returns of accrued to date entitlements by the end of the previous year, is not paid by the households or offset by corresponding amounts in any other row of the table (except from the residual number in row 3). Although entitlements for a majority of the adult population increase from one year to the next because payments are closer in time, this component is to a large degree counteracted by vanishing entitlements because a cohort dies and is substituted with young adults with no entitlements.

By comparing payments of pension benefits in row 4 with social contributions, in row 2.1 and 2.3, we see that actual contributions are significantly lower than actual payments. Although the relative difference is expected to be reduced as a result of the pension reform from 2011, pension benefits in NIS partly have to be financed by extra means from the Central Government for many decades ahead.

Previously, calculations of disability pensions included future disabled. The simulation methodology has been revised so that only currently disabled are included.

Data are not available.

9. Links to (national) publications providing further information on the pension schemes

[Please provide titles and internet links. Examples of such documents can be national releases of Table 29, accompanying explanatory articles, country fiche on AWG pension projections, any other documents describing national pension systems. If not published, additional descriptions could be also annexed to the present document].

ANNEX

[Any additional information, optional]