

Note 24 - Pension

Defined benefit scheme

This pension scheme is administered by a pension fund conferring entitlement to specific future pension benefits from age 67. The schemes include children's pension and disability pension under further rules. The Group's defined benefit pension scheme assures the majority of employees a pension of 68 percent of final salary up to 12G. The defined benefit scheme is closed to new members. It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme will transfer to the defined contribution scheme as from 1 January 2017, and will receive a paid-up policy showing rights accumulated under the defined benefit scheme. The termination resulted in reduced pension obligations, which has been treated as a settlement gain and reduces the pension expense for 2016.

Paid-up policies are managed by the pension fund, which becomes a paid-up pension fund as from 1 January 2017. A framework agreement has been established between SpareBank 1 SMN and the pension fund which covers funding, asset management etc. In view of the responsibility still held by SpareBank 1 SMN, future liabilities will need to be incorporated in the accounts. At yearend 2016, the plan has net assets of 182 million.

The board of the pension fund is required to be composed of representatives from the Group and participants in the pension schemes in accordance with the articles of association of the pension fund.

For further details of the Group's pension schemes see Note 2 on accounting principles and Note 22 on personnel expenses and emoluments to senior employees and elected officers.

Actuarial assumptions	2016		2015	
	Costs	Commitment	Costs	Commitment
Discount rate	2.7%	2.6%	2.3%	2.7%
Expected rate of return on plan assets	2.7%	2.6%	2.3%	2.7%
Expected future wage and salary growth	2.3%	2.3%	2.5%	2.3%
Expected adjustment of basic amount (G)	2.3%	2.3%	2.5%	2.3%
Expected increase in current pension	0%/2.25%	0%/2.25%	0.0 %	0%/2.25%
Employers contribution	14.1%	14.1%	14.1%	14.1%
Expected voluntary exit before/after 50 yrs	2/0 %	2/0 %	2/0 %	2/0 %
Estimated early retirement outtake at age 62/64	25/50 %	25/50 %	25/50 %	25/50 %

Mortality base table

K2013BE

Disability

IR73

Parent Bank		Net pension liability in the balance sheet (NOK million)	Group	
1 Jan 15	1 Jan 16		1 Jan 16	1 Jan 15
737	662	Net present value of pension liabilities in funded schemes	711	768
-729	-753	Estimated value of pension assets	-797	-754
9	-12	Opening balance adjustment	-11	8
16	-103	Net pension liability in funded schemes	-97	22
3	3	Employer's contribution	4	4
0	-2	Settlement	-2	0
19	-102	Net pension liability in the balance sheet	-96	26

Distribution of liability between unfunded and funded pension scheme, Group

Group	1 Jan 16			1 Jan 15		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	689	22	711	746	22	768
Fair value of pension assets	-797	-	-797	-754	-	-754
Opening balance adjustment	-11	0	-11	8	-	8
Net pension liability in the balance sheet before employer's contribution	-119	22	-97	0	22	22
Employer's contribution	1	3	4	1	3	4
Settlement	-2	0	-2			
Net pension liability in the balance sheet after employer's contribution	-121	25	-96	1	25	26

2015	2016	Pension cost for the year	2016	2015
24	20	Present value of pension accumulated in the year	23	28
0	-2	Interest cost of pension liabilities	-2	0
24	17	Net defined-benefit pension cost without employer's contribution	21	28
5	6	Employer's contribution - subject to accrual accounting	6	5
-	-74	Settlement	-90	0
29	-51	Net pension cost related to defined benefit plans *)	-63	33
7	7	Early retirement pension scheme, new arrangement	9	9
13	13	Cost of defined contribution pension	31	34
49	-30	Total pension cost	-22	77
2	0	*) Of which unfunded pension commitment	0	2

Other comprehensive income for the period	2016			2015		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	0	9	9	0	-46	-47
Change in other economic assumptions	-	-	-	0	-10	-10
Change in mortality table	-	-	-	-	-	-
Change in other demographic assumptions	-	-	-	-	-	-
Changing other factors, DBO	0	4	5	-1	-13	-14
Change in other factors, pension assets	-	11	11	-	-46	-46
Other comprehensive income for the period	0	24	24	-1	-115	-116

2015	2016	Movement in net pension liability in the balance sheet	2016	2015
19	-100	Net pension liability in the balance sheet 1 Jan	-94	26
-109	23	Actuarial gains and losses for the year	24	-116
21	-51	Net defined-benefit costs in profit and loss account incl. Curtailment/settlement	-63	34
-1	-1	Paid-in pension premium, defined-benefit schemes	-1	-1
-30	-44	Paid-in pension premium, defined-benefit plans	-48	-36
-100	-172	Net pension liability in the balance sheet 31 Dec	-182	-94
31 Dec 15	31 Dec 16	Financial status	31 Dec 16	31 Dec 15
662	602	Pension liability	641	711
-764	-778	Value of pension assets	-827	-808
-103	-176	Net pension liability before employer's contribution	-186	-97
3	4	Employer's contribution	4	4
-100	-172	Net pension liability after employer's contribution	-182	-94

* Presented gross in the Group accounts

Group	31 Dec 2016			31 Dec 15		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	619	22	641	689	22	711
Value of pension assets	-827	-	-827	-808	-	-808
Net pension liability before employer's contribution	-208	22	-186	-120	22	-97
Employer's contribution	-	4	4	1	3	4
Net pension liability after employer's contribution	-208	26	-182	-119	25	-94

Fair value of pension liability, Group	2016	2015
OB pension liability (PBO)	711	768
Present value of pension accumulated in the year	23	28
Payout/release from scheme	-29	-30
Interest costs of pension liability	18	17
Curtailment/ Settlement	-94	-3
Actuarial gain or loss	12	-69
CB pension liability (PBO)	641	711

Fair value of pension assets, Group	2016	2015
OB pension assets	797	754
Paid in	43	33
Payout/release from fund	-29	-30
Expected return	21	17
Curtailment/ Settlement	-6	-3
Actuarial changes	0	38
CB market value of pension assets	827	808

Sensitivity, Group	Discount rate		Salary adjustment		Pension adjustment
	+ 1 pp	- 1 pp	+1 pp	- 1 pp	+ 1 pp
2016					
Change in accumulated pension rights in course of year	-4	6	4	-3	3
Change in pension liability	-82	103	0	0	105
2015					
Change in accumulated pension rights in course of year	-5	8	6	-4	4
Change in pension liability	-96	124	66	-54	84

2015	2016	Members	2016	2015
809	779	Numbers of persons included in pension scheme	815	847
307	265	of which active	298	341
502	514	of which retirees and disabled	517	506

Investment and pension assets in the pension fund	2016	2015
Current bonds	21 %	21 %
Bonds held to maturity	19 %	23 %
Money market	26 %	13 %
Equities	29 %	37 %
Real estate	6 %	6 %
Other	0 %	0 %
Total	100 %	100 %

The pension scheme arrangement is located in its own pension fund, which has a long-term horizon on the management of its capital. The pension fund seeks to achieve as high a rate of return as possible by composing an investment portfolio that provides the maximum risk-adjusted return. The pension fund seeks to spread its investments on various issuers and asset classes in order to reduce company-specific and market-specific risk. The portfolio thus comprises equity investments in Norwegian and foreign shares. The bond portfolio is essentially invested in Norwegian bonds. Bank deposits are placed in Norwegian Banks.