

Note 22 - 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 reduced 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 2021 the scheme is overfunded by NOK 54 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.

In addition to the pension obligations covered by the pension fund, the group has unfunded pension liabilities which can not be funded by the assets in the collective arrangements. The obligations entails employees not registered as member of the pension fund, additional pensions above 12 G, early retirement pension schemes and contractual early retirement schemes in new arrangement (AFP Subsidies Act).

For further details of the Group's pension schemes see Note 2 on accounting principles and Note 20 on personnel expenses.

Actuarial assumptions	2021		2020	
	Costs	Commitment	Costs	Commitment
Discount rate	1.5 %	1.5 %	2.3 %	1.5 %
Expected rate of return on plan assets	1.5 %	1.5 %	2.3 %	1.5 %
Expected future wage and salary growth	2.00 %	2.25 %	2.00 %	2.00 %
Expected adjustment of basic amount (G)	2.00 %	2.25 %	2.00 %	2.00 %
Expected increase in current pension	0%/2.0%	0%/2.0%	0%/2.0%	0%/2.0%
Employers contribution	19.1 %	19.1 %	19.1 %	19.1 %
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			Group	
2020	2021	Net pension liability in the balance sheet (NOK million). Financial position 1 Jan.	2021	2020
608	640	Net present value of pension liabilities in funded schemes	640	608
-743	-743	Estimated value of pension assets	-743	-743
-135	-104	Net pension liability in funded schemes	-104	-135
3	2	Employer's contribution	2	3
-132	-102	Net pension liability in the balance sheet	-102	-132

Distribution of liability between unfunded and funded pension scheme, Group 1.1

Group	2021			2020		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	631	8	640	595	13	608
Fair value of pension assets	-743	-	-743	-743	-	-743
Opening balance adjustment	-	-	-	-	-	-
Net pension liability in the balance sheet before employer's contribution	-112	8	-104	-148	13	-135
Employer's contribution	-	2	2	-	3	3
Net pension liability in the balance sheet after employer's contribution	-112	10	-102	-148	16	-132

2020	2021	Pension cost for the year	2021	2020
0	0	Present value of pension accumulated in the year	0	0
-3	-2	Interest cost of pension liabilities	-2	-3
-3	-1	Net defined-benefit pension cost without employer's contribution	-1	-3
0	0	Employer's contribution - subject to accrual accounting	0	0
-3	-1	Net pension cost related to defined benefit plans *	-1	-3
8	8	Early retirement pension scheme, new arrangement	14	12
51	54	Cost of defined contribution pension	102	96
56	60	Total pension cost	115	105

Other comprehensive income for the period	2021			2020		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	-0	-9	-9	1	74	75
Change in other economic assumptions	-	-	-	-	-	-
Change in mortality table	-	-	-	-	-	-
Change in other demographic assumptions	-	-	-	-	-	-
Changing other factors, DBO	-2	33	32	-7	-18	-25
Change in other factors, pension assets	-	27	27	-	-16	-16
Other comprehensive income for the period	-2	51	49	-6	40	34

2020	2021	Movement in net pension liability in the balance sheet	2021	2020
-132	-96	Net pension liability in the balance sheet 1.1	-96	-132
34	49	Actuarial gains and losses for the year	49	34
-3	-1	Net defined-benefit costs in profit and loss account incl. Curtailment/settlement	-1	-3
-1	-1	Paid-in pension premium, defined-benefit schemes	-1	-1
-102	-49	Net pension liability in the balance sheet 31.12	-49	-102

2020	2021	Financial status 31.12	2021	2020
640	645	Pension liability	645	640
-743	-701	Value of pension assets	-701	-743
-104	-56	Net pension liability before employer's contribution	-56	-104
2	1	Employer's contribution	1	2
-102	-54	Net pension liability after employer's contribution*	-54	-102

* Presented gross in the Group accounts

Distribution of financial status between unfunded and funded pension scheme, Group

Group	2021			2020		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	639	7	645	631	8	640
Value of pension assets	-701	-	-701	-743	-	-743
Net pension liability before employer's contribution	-62	7	-56	-112	8	-104
Employer's contribution	-	1	1	-	2	2
Net pension liability after employer's contribution	-62	8	-54	-112	10	-102

Fair value of pension liability, Group	2021	2020
OB pension liability (PBO)	640	608
Present value of pension accumulated in the year	0	0
Payout/release from scheme	-27	-27
Interes costs of pension liability	9	14
Curtailment/ Settlement	-	-
Actuarial gain or loss	23	45
CB pension liability (PBO)	645	640

Fair value of pension assets, Group	2021	2020
OB pension assets	743	743
Paid in	1	1
Payout/release from fund	-27	-27
Expected retur	11	17
Curtailment/ Settlement	-	-
Actuarial changes	-27	10
CB market value of pension assets	701	743

Sensitivity, Group	Discount rate		Salary adjustment		Pension adjustment
	+ 1 pp	- 1 pp	+1 pp	- 1 pp	+ 1 pp
2021					
Change in accumulated pension rights in course of year	-	-	-	-	-
Change in pension liability	-89	110	0	0	111
2020					
Change in accumulated pension rights in course of year	-	-	-	-	-
Change in pension liability	-93	117	1	-1	116

2020	2021	Members	2021	2020
740	728	Numbers of persons included in pension scheme	728	740
233	220	of which active	220	233
507	508	of which retirees and disabled	508	507

Investment and pension assets in the pension fund	2021	2020
Current bonds	38 %	40 %
Bonds held to maturity	5 %	5 %
Money market	21 %	18 %
Equities	29 %	28 %
Real estate	7 %	7 %
Other	0 %	1 %
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.