NOTE 15 **PENSION COSTS AND LIABILITIES**

FERD'S PENSION PLANS

Ferd has established pension schemes in accordance with Norwegian legislation. The employees participate in a defined contriution plan for salaries below 12G.

For salaries exceeding 12 G, Ferd has established a pension scheme implying that the employees earn a pension right each year. The scheme was closed for new hires when established. The right comprises a share of the salary in excess of 12 G together with a return component depending on the employee's chosen risk profile. The pension plan has many similarities with a contribution scheme, but as Ferd is not making current payments to a fund, but has elected to take the risk of return itself, the scheme shall be classified as a benefit scheme for accounting purposes. Ferd has recognised the obligation as a pension liabiity and is expensing the current deposits and the current return as incurred.

In addition, Group management has an early retirement pension scheme giving them the opportunity to retire at 65 years. This is also a benefit scheme.

Financial assumptions at 31 December

	2016	**2015**
Discount interest rate	2.00%	1.90%
Expected wage growth	2.50%	2.50%
Future expected pension regulation	1.75%	1.75%
Expected regulation of base amount (G)	2.25%	2.25%

DEFINED BENEFIT PLANS

Specification of the recognised liability

NOK 1 000	**2016**	**2015**
Present value of unfunded pension liabilities	31 227	30 007
Fair value of pension funds	-	-
Total defined benefit obligation recognised in the balance sheet at 31 Dec.	**31 227**	**30 007**

Movement in liabilities for defined benefit pensions plans

NOK 1 000	**2016**	**2015**
Liabilities for defined benefit pension plans at 1 Jan.	30 007	24 659
Present value of current year's pension earnings	2 087	3 053
Interest expense on pension liabilities	1 261	361
Estimate deviation on pension liabilities	- 47	1 934
Benefits paid	-2 237	-
Liabilities for defined benefit pension plans at 31 Dec.	**31 227**	**30 007**

Estimate deviation recognised in total comprehensive income

NOK 1 000	**2016**	**2015**
Estimate deviation on the pension obligation (benefit schemes) of the year	47	-1 934
Net estimate deviation for benefit schemes recognised in comprehensive income	**47**	**-1 934**

Pension costs recognised in the income statement

NOK 1 000	**2016**	**2015**
Present value of this year's pension earnings	2 244	3 053
Pension costs on contribution schemes	4 193	4 094
Total pension costs recognised in the income statement as salary expenses	**6 437**	**7 147**
Interest expense on the pension liability	1 261	361
Total pension costs recognised in the income statement as interest expenses	**1 261**	**361**