

Note 18 - Pensions

The Group operated defined benefit plans and defined contribution plans in Norway and Sweden. The majority of employees participated in a defined benefit plan in Norway. Norwegian Air Shuttle ASA closed its defined benefit plan on 1 December 2012 and all employees were transferred to the defined contribution plan. In fourth quarter 2013, the Group issued a defined benefit pension plan according to the Collective Agreement with the Norwegian Pilot Union. See note 28 for further details regarding settlement with the Norwegian Pilot Union. Pension plans in Norway are placed with DNB Liv and pension plans in Sweden are placed with Alecta and Fora.

Defined contribution plan

The defined contribution plans require that the Group pays premiums to public or private administrative pension plans on a mandatory, contractual or voluntary basis. The Group has no further obligations once these premiums are paid. The premiums are accounted for as personnel expenses as soon as they are incurred. Pre-paid premiums are accounted for as an asset to the extent that future benefits can be determined as plausible.

Defined contribution plans comply with Norwegian and Swedish Pension legislation.

Pension expenses on defined contribution plans are NOK 36.7 million in 2013 (2012: NOK 72.9 million). The decrease in expenses relates to a reversal of estimates for provisions related to the pension liability, in addition to transfer of pilot employee contracts to Norwegian Air Norway AS

Defined benefit plan

As per December 31, 2013, 395 employees were active members (2012: 0) and 0 (2012: 0) were on pension retirement. The related pension liability is recognized at NOK 127.8 million (2012:0).

The pension plans are in compliance with the Occupational Pensions Act and actuarial calculations comply with IAS 19.

The mortality and disability estimates are based on up-to-date mortality tables K2013 and IR 02. This has had no material effect on the consolidated financial statements in 2013.

Pension expense (NOK 1,000)	Funded	2013	Total 2012
Net present value of benefits earned	80,089	80,089	173,104
Interest cost on pension liability	474	474	23,017
Return on plan assets	0	0	-13,931
Administrative expenses	0	0	2,888
Recognized actuarial gains/losses	0	0	
Recognized net liability - settlement	0	0	-30,040
Social security tax	11,365	11,365	25,946
Net pension expense defined benefit plans	91,928	91,928	180,984
Pension expense on defined contribution plans		32,273	63,880
Social security tax		4,411	9,007
Total pension expense		128,612	253,871

Defined benefit liability and fund (NOK 1,000)

	2013		2012	
	Funded	Total	Funded	Total
Change in present value of defined benefit liability:				
Gross pension liability 01.01	0	0	955,334	955,334
Current service costs	11,559	11,559	172,733	172,733
Interest cost	474	474	22,706	22,706
Actuarial gains/losses	1,639	1,639	-241,712	-241,712
Settlement	0	0	-902,492	-902,492
Accruals for compensation liability	111,000	111,000		
Benefits paid	0	0	-6,569	-6,569
Gross pension liability 31.12	124,671	124,671	0	0
Change in fair value of plan assets:				
Fair value of pension assets 01.01	0	0	515,629	515,629
Expected return	-36	-36	15,247	15,247
Actuarial gains/losses	2,106	2,106	-1,510	-1,510
Administrative expenses	0	0	-3,184	-3,184
Settlement	0	0	-670,958	-670,958
Contributions paid	12,134	12,134	151,345	151,345
Benefits paid	0	0	-6,569	-6,569
Fair value of plan assets 31.12	14,204	14,204	0	0
Net pension liability	110,468	110,468		0
Unrecognized actuarial gains/losses		0		0
Social security tax	17,353	17,353		0
Net recognised pension liability 31.12	127,821	127,821		0

	2013	2012
Actual return on pension funds *)	5.70 %	5.70 %
Expected contribution to be paid next year	85,938	0

*) actual return on pension funds is based on reported amounts per first quarter each year.

The net pension liability was based on several assumptions. The discount rate was based on long term government bonds in Norway, with adjustments for duration. The pension liability's average duration was 25 years. Wage adjustments, pension adjustments and the expected increase in state pensions were based on historical observations for the Group, and an expected long term inflation rate of 2.5%.

	2013
Discount rate	4.10 %
Expected return on pension funds	4.10 %
Wage adjustments	3.50 %
Increase of social security base amount (G)	3.50 %
Future pension increase	0.60 %
Average turnover	2-10%

The Group's pension fund was invested in the following instruments;

	2013
Equity	6.8%
Alternative investments	3.5%
Bonds	17.0%
Money market funds	22.0%
Hold-to maturity bonds	35.2%
Real estate	14.3%
Various	1.1%

The table shows actual distribution of plan assets at 31 December 2013.

Historical information

(NOK 1,000)	2013	2012	2011	2010	2009
Present value of defined benefit obligation	124,671	0	955,334	686,588	483,721
Fair value of plan assets	14,204	0	515,629	401,877	301,612
Deficit / (surplus) in the plan	110,468	0	439,705	284,711	182,109
Experience adjustments on plan liabilities	0	0	108,905	81,092	-25,272
Experience adjustments on plan assets	0	0	28,702	2,130	-28,148