



Are you ready for
retirement?

Stavanger, 26 October 2021

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The EY logo, consisting of the letters 'EY' in a bold, white, sans-serif font.

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Agenda

1. About EY
2. The legal picture
 - The Governmental State Pension
 - ▶ Old Scheme
 - ▶ New Scheme
 - ▶ The combination of the two
 - Occupational pensions (OTP/AFP)
 - Private arrangements
3. Contributing to multiple countries
4. Questions and tips

About EY

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100 employees

Tax

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20 employees

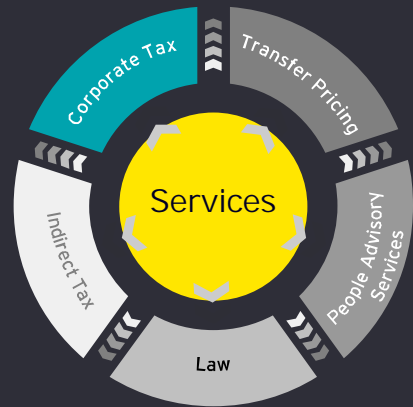
SaT

15 employees



Tax and Law

We will help you navigate the global tax landscape and ensure compliance with laws and regulations



Corporate Tax

- ▶ Tax Structuring and Tax Due Diligence
- ▶ International operations from Norway
- ▶ Specialist tax competence (petroleum tax, offshore branches, tonnage tax)
- ▶ Dispute resolution, controversy management and support
- ▶ Reporting, compliance and risk management (tax returns, tax reporting, annual accounts)

Transfer Pricing

- ▶ Design of transfer pricing models
- ▶ Assistance with implementation of TP design
- ▶ Controversy management and support
- ▶ Compliance, including transfer pricing documentation



Indirect Tax

- ▶ VAT structuring and due diligence
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- ▶ Real estate optimizing of VAT treatment
- ▶ Global Trade & Customs
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People Advisory Services

- ▶ Advising on employees across borders
- ▶ Social security planning
- ▶ Review and improve your global mobility strategy
- ▶ Compensation and benefits packages
- ▶ Impact of transactions
- ▶ Tax return and compliance service
- ▶ Immigration

Law

- ▶ Transactions, including M&A activities restructuring and company law
- ▶ Corporate and commercial law
- ▶ Real estate law
- ▶ Labor and employment law

EY Tax and Law Stavanger

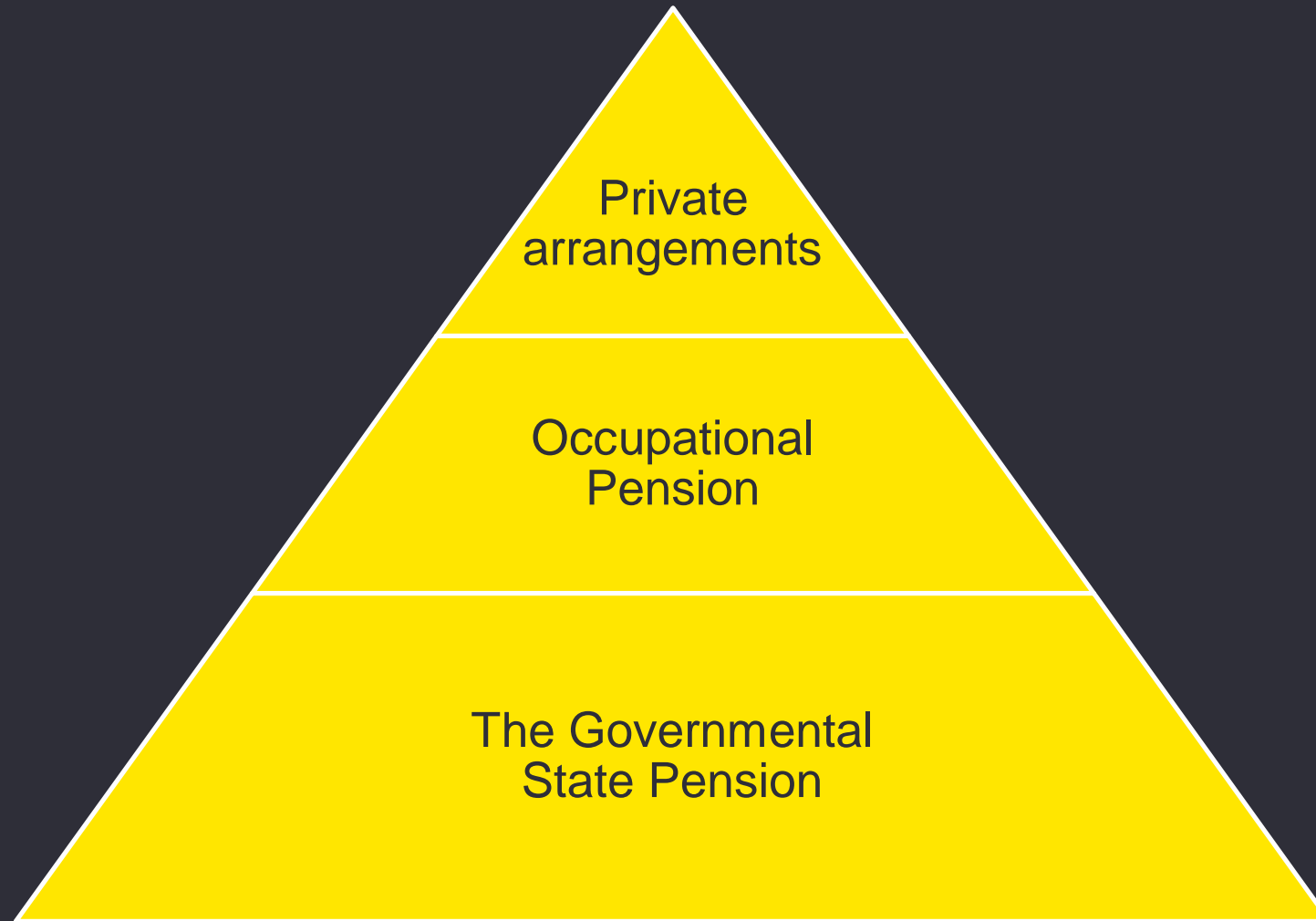


The legal picture

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Overview legal picture



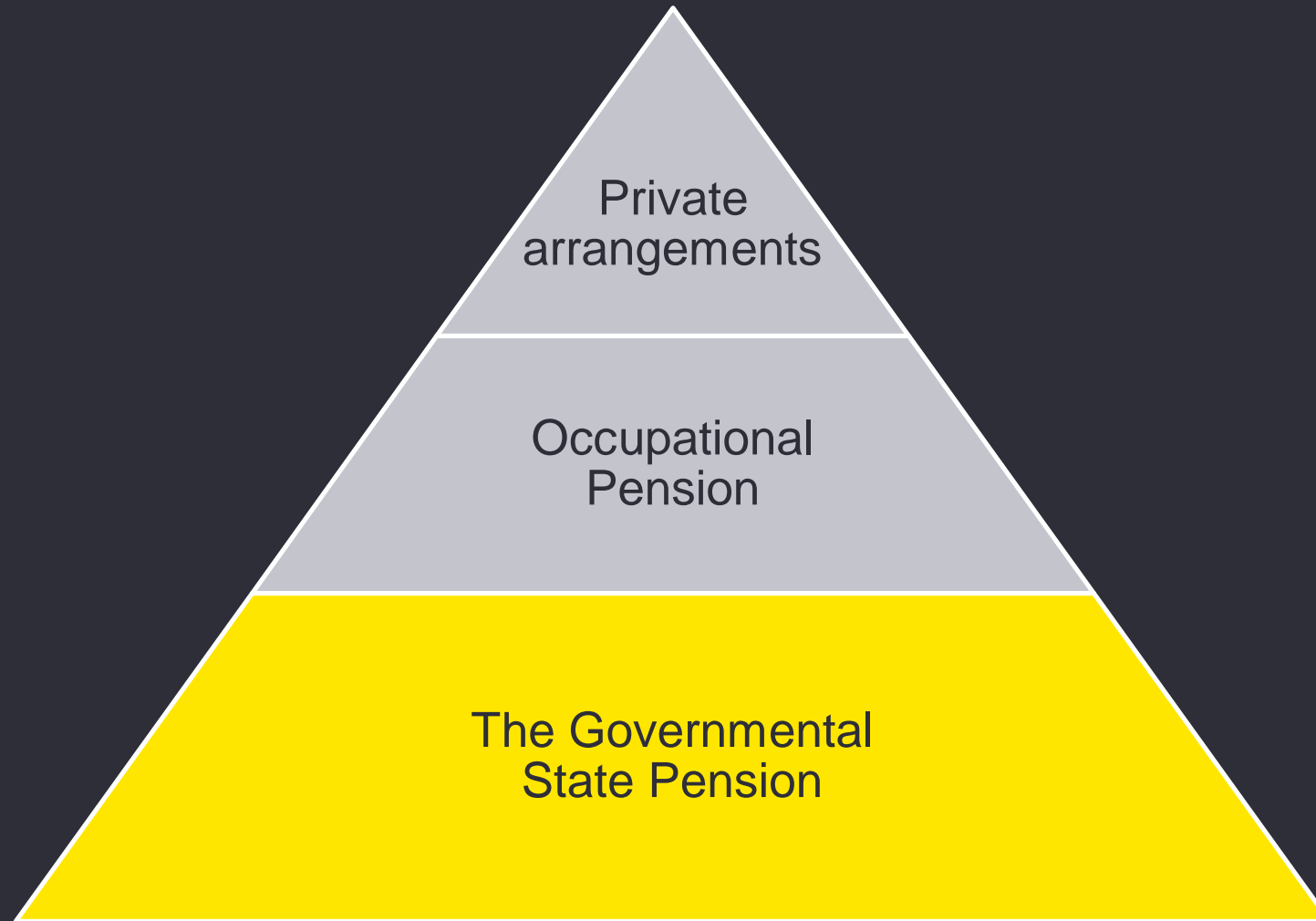
General terms

- ▶ NAV – Norwegian welfare administration
- ▶ G – «basic amount» NOK 106 399, changes 1 May each year – used for calculation purposes only
- ▶ Old regime:
 - “Grunnpensjon/minstepensjon” - Basic pension NOK 223 717 (single)
 - “Tilleggspensjon” - Supplementary pension
 - “Pensjonspoeng” - Pension points (PP)
 - ▶ Calculated by tax authorities per calendar year, see assessment notice
 - ▶ Income above 1G
 - ▶ How to calculate?
 - Pensionable income for the specific calendar up to 6G
 - + 1/ 3 of income from 6G and up to 12G
 - average G for the specific income year
 - = X / average G for the specific income year

General terms, cont.

- ▶ New regime:
 - “Garantipensjon” - Guarantee pension NOK 201 356 (single)
 - “Inntektpensjon” - Income based pension
 - “Delingstall”, “Division number” - Live expectancy adjustment number
 - A notional defined contribution, all year count in the pension saving, not only the best 20 years

Overview legal picture



State Pension

- ▶ Substantial pension reform in Norway the latest years
 - Who qualifies to continue with the old regime?
 - Who are affected by the new regime?
- ▶ Will the old or the new regime apply to you?
 - The old regime applies to people born up to and including the year 1962
 - The new regime applies to people born after 1 January 1963
 - If you are born between 1954 up to 1963, the retirement pension is made up of proportional shares of the old and new regime
- ▶ The reform started in 2001. Was adopted by Parliament in 2009, and will be fully implemented in 2025
- ▶ Why reform?
 - Maintain a sustainable pension system
 - Handling the increased number of retirees

State Pension

- ▶ «Pay as you go» system
 - This means that today's workforce is making the social security contributions to fund the current retirees
- ▶ Retirement age in Norway 67 years old
 - Old legislation pension from 67 years old
 - New legislation pension from 62 up to 75 years old
- ▶ Maximum pension applicable when resided in Norway for at least 40 years after the age of 17
- ▶ Calculated based on the individual's accrued pension rights in the age between 17-75 years
 - Calculations done by NAV

The most common coverage elements from pension scheme

- ▶ Today's topic: Retirement pension
- ▶ The pension system also includes:
 - Disability pension
 - Child pension
 - Unemployment benefits
 - Medical rehabilitation
 - Occupational rehabilitation

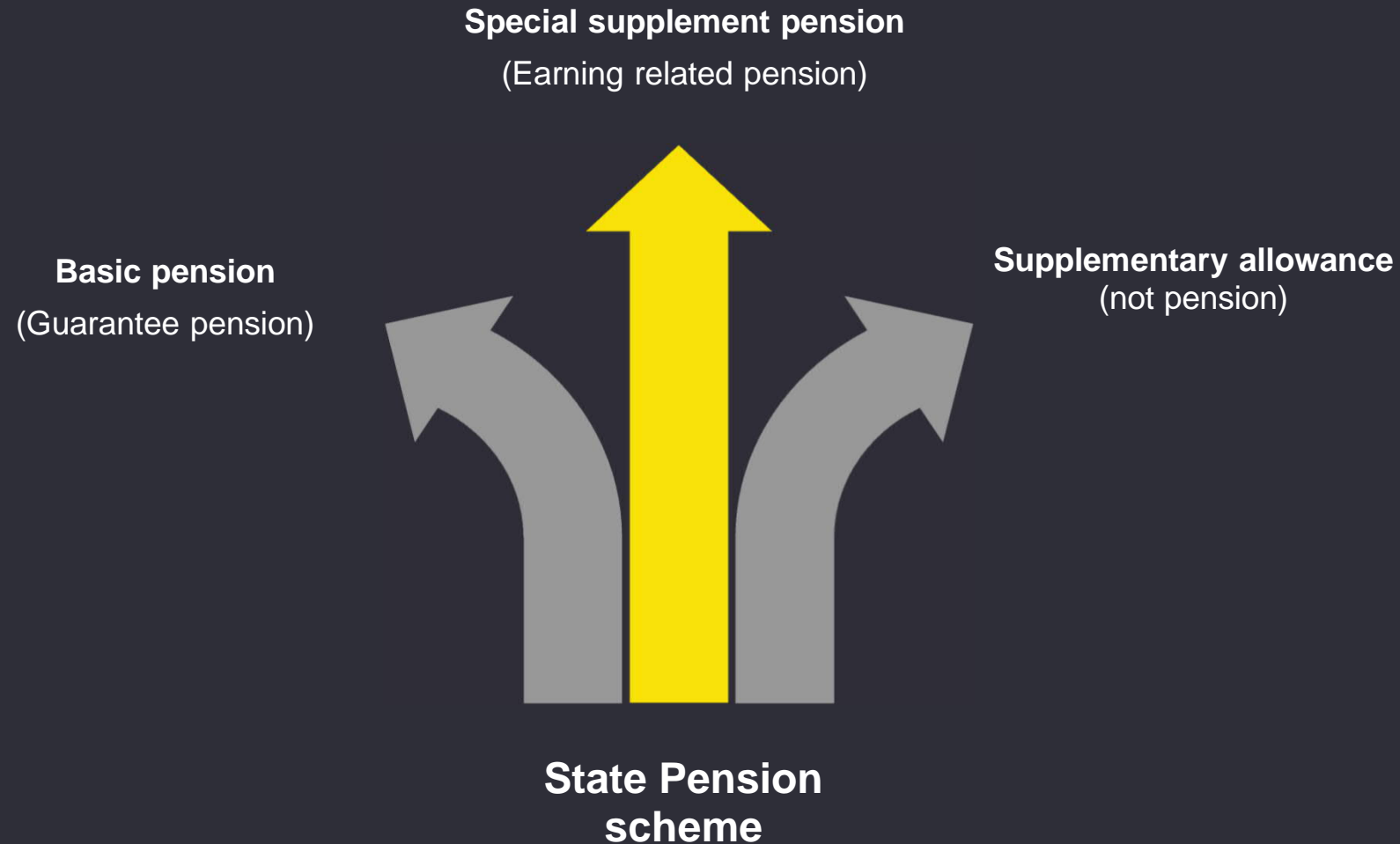


General requirements for State Pension

- ▶ All Norwegians residing in Norway, and other persons with permanent residence permit in Norway upon retirement, are entitled to ordinary State Pension
- ▶ 5 years of coverage is required
 - 1 year for EU/EEA citizens
 - Other countries with social security agreement with Norway
- ▶ Accrued State Pension can not be transferred to any other pension fund or refunded to the employee upon leaving Norway
- ▶ State Pension is only available when the employee reaches the retirement age according to Norwegian law
- ▶ When retiring – contact NAV to claim your Norwegian pension

State Pension

- ▶ Divided into 3 different parts



State Pension – old regime

- ▶ Basic pension (Grunnpensjon)
 - Set to 1G
 - Born before 1963
 - In order to receive a full basic pension you must have coverage in the scheme for 40 years. If you have less than 40 years coverage, the maximum pension will be reduced accordingly
 - Do not need to work in Norway, but you must have lived/been covered by the Norwegian scheme for minimum 5 years
- ▶ Calculation example, key information:
 - Employment income in Norway NOK 600 000 per year
 - Work 5 years in Norway

NOK 106 399 (G) x 5/40 = **NOK 13 299 per year**

State Pension – old regime

▶ Supplementary pension (Tilleggspensjon)

- Your pensionable income must exceed 1G
- In order to receive a supplementary pension, you must obtain pension points in Norway for at least 5 calendar years
- Pension percentage is 45% up to and including 1991 and 42% with effect from 1992
- Average of the 20 years with highest employment income is used for calculation purposes
- Number of years with pension points

▶ Calculation example, key information:

- Employment income in Norway NOK 600 000 per year
- Work 5 years in Norway

NOK 106 399 x 42% x (average pension points) 5,03 x 5/40 = NOK 28 097

+ basic pension (Grunnpensjon) = NOK 13 299

Annual pension payment = **NOK 41 396**

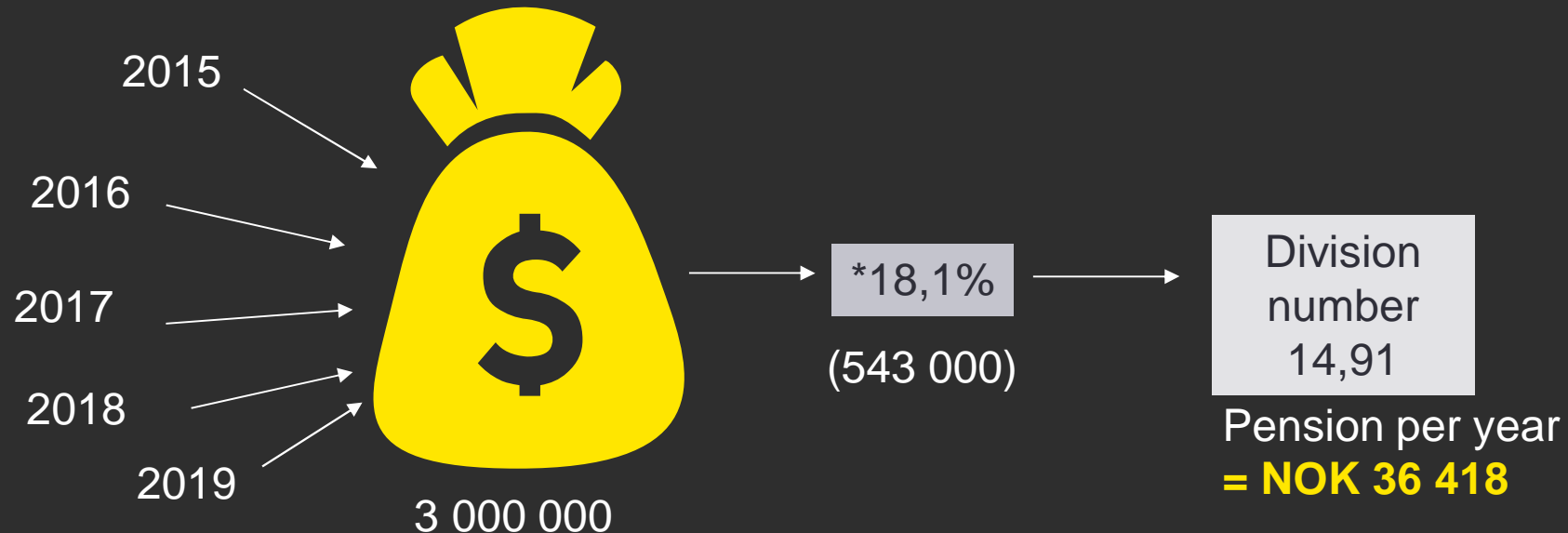
State Pension – new regime

- ▶ Earning related pension or guarantee pension
- ▶ Earning related pension: You “save” 18,1% of all your earnings up to 7,1G (NOK 755 432) in your “saving plan”
 - Less year in Norway, less year/balance in plus
 - Final balance is divided with a division number
- ▶ Guarantee pension is “what you need”, irrespective of income – for people with no or low income. Will also reflect stay in Norway
- ▶ Calculation example, key information
 - Employment income in Norway NOK 1 mill per year (Max 7,1G = 755 432)
 - 10 years in Norway

$$\begin{array}{l} 755\,432 \times 10 \text{ years} \\ \times 18,1\% \\ / \text{division number } 17,33 \text{ (see table)} \\ \text{(born 1971 – retired 67 years)} \end{array} \quad = \quad \begin{array}{l} \underline{\text{NOK } 7\,554\,320} \\ \text{NOK } 1\,367\,331 \\ \text{= } \mathbf{NOK \quad 78\,899} \end{array}$$

State Pension – new regime

- ▶ Based on accrued pension savings and reflects your income over your lifetime. Pension accruals are equivalent to 18,1% of income up to 7,1G accrued between the ages of 13 and 75
- ▶ Example, key information:
 - Born in 1971, start to take pension from the age of 70
 - Annual employment income NOK 600 000
 - Working in Norway for 5 years



Division numbers

Age at withdrawal	Year						
	1954	1960	1965	1971	1980	1990	2000
62	19,11	19,92	20,61	21,39	22,49	23,62	24,63
63	18,30	19,11	19,79	20,58	21,68	22,81	23,82
64	17,49	18,30	18,98	19,77	20,87	22,00	23,02
65	16,68	17,49	18,17	18,96	20,06	21,19	22,21
66	15,88	16,68	17,36	18,15	19,25	20,37	21,39
67	15,08	15,87	16,55	17,33	18,43	19,56	20,58
68	14,28	15,07	15,75	16,52	17,62	18,74	19,76
69	13,49	14,27	14,94	15,71	16,80	17,92	18,94
70	12,71	13,48	14,14	14,91	15,99	17,10	18,11
71	11,93	12,69	13,35	14,11	15,18	16,29	17,29
72	11,17	11,92	12,56	13,31	14,37	15,47	16,47
73	10,41	11,14	11,78	12,52	13,56	14,65	15,64
74	9,66	10,38	11,01	11,73	12,76	13,84	14,82
75	8,93	9,64	10,25	10,95	11,97	13,02	13,99

State Pension – new regime

- ▶ Guarantee pension (Garantipensjon)
 - High rate NOK 201 356
 - ▶ Spouse income less than NOK 212 798 (2G), without pension
 - Ordinary rate NOK 183 263
 - ▶ Spouse income more than NOK 212 798 (2G)
 - Requires 40 years to have a full guarantee pension. Less than 40 years, reduced proportionally
 - Reduced with 80% of the accrued pension accruals (earning-related pension)
 - If salary in average exceeds approximately NOK 500 000 for over 40 years, earning-related pension will apply instead

State Pension – new regime

- ▶ Example guarantee pension, key information:
 - Born in 1971, start to take pension from the age of 70
 - Annual employment income NOK 600 000
 - Working in Norway for 5 years

Basis guarantee pension:

$$\text{NOK } 201\,356 \times 14,91^* = \text{NOK } 3\,002\,217 \times 5/40 = \text{NOK } 375\,277$$

$$\text{Reduced with NOK } 3\,000\,000 \times 18,1\% \times 80\% = \underline{\text{NOK } 434\,400}$$

$$\text{Guarantee pension} \qquad \qquad \qquad 0$$

Earning related pension instead

* Level stated by NAV depending on age, and when you start to take out pension

Accrued pension savings and effect on guarantee pension

– example approximate pension over a lifetime with work in Norway

Average employment income	Accrued earning related pension	
	Earning related pension	Guarantee pension
0	0	356 763
100 000	90 500	282 398
200 000	181 000	209 998
250 000	226 250	173 798
300 000	271 500	137 598
350 000	316 750	101 398
400 000	362 000	65 198
450 000	407 250	28 998
490 000	443 450	38
500 000	452 500	0

Guarantee pension (example approximate pension level when working in Norway for 5 years)

(Average employment income for 5 years – born after 1971 retire at age 70)

Average employment income	Pensions		
	Total pension	Earning related pension	Guarantee pension
0	23 928	0	23 928
100 000	25 009	6 069	18 940
200 000	26 223	12 139	14 084
250 000	26 830	15 174	11 656
300 000	27 437	18 209	9 228
350 000	28 044	21 244	6 800
400 000	28 651	24 279	4 372
450 000	29 258	27 314	1 944
490 000	29 743	29 741	2
500 000	30 348	30 348	0

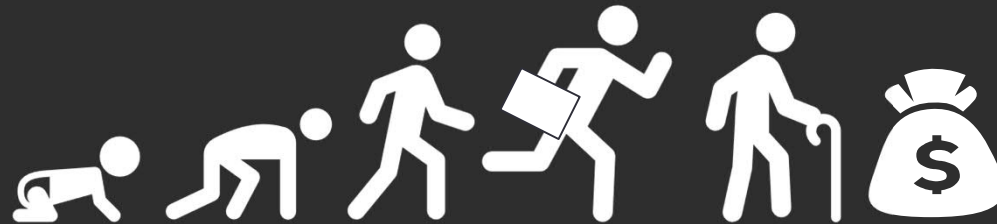
Spouse

- ▶ Born in 1974
- ▶ No income – stayed in Norway for 5 years, at home with children
- ▶ Retire at age 67
- ▶ Division number 17,71
- ▶ State Pension in Norway (Guarantee Pension only)
 - $\text{NOK } 201\,356 \times 5/40 = \text{NOK } 25\,169$
 - Annual pension is NOK 25 169 or NOK 2 097 per month
 - Small adjustments every year



Important to know

- ▶ Your monthly pension will be higher the longer you wait to retire
- ▶ You can accumulate pension rights up to, and including the year you turn 74 years
- ▶ Expected life age = X (standards set by NAV)
 - Divided on years with pension

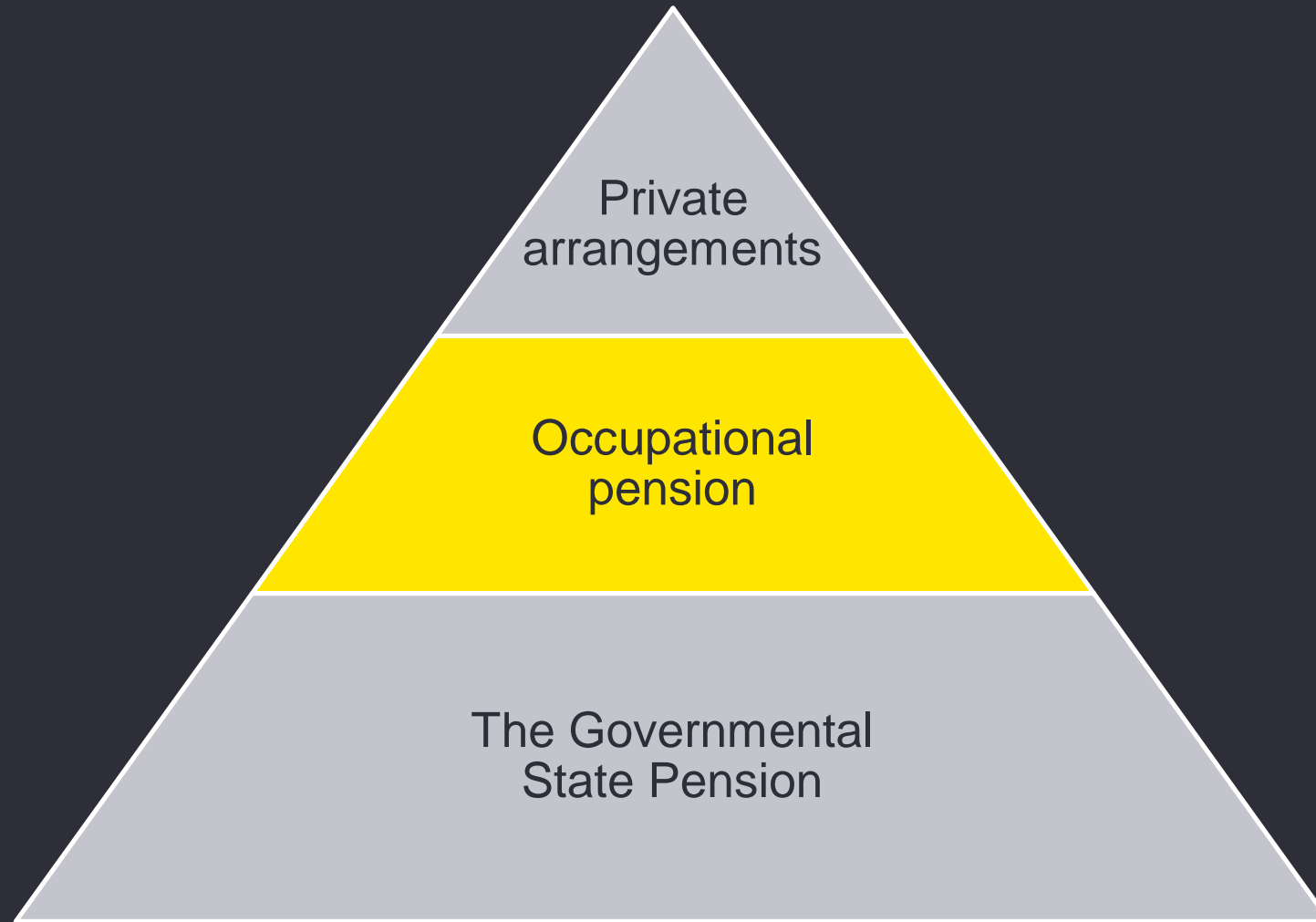


The longer you work the more you get paid

- ▶ Withdrawal pension when 62 years of age
 - Division number 21,52
- ▶ At 67
 - Division number 17,33
- ▶ At 75
 - Division number 10,95

See division numbers slide 20

Overview legal picture



Occupational pension

- ▶ Occupational pension is a pension scheme financed by the employer setting aside an agreed portion of salary for savings
 - Mandatory occupational pension scheme (OTP) (2007)
 - ▶ Minimum 2% salary funds for income above 1G, up to 12 G
 - AFP (1988)
 - ▶ Early retirement pension to employees of companies which participate in the AFP pension scheme through a collective agreement
- ▶ Occupational pension is in addition to State Pension
- ▶ Employees of the state and the municipality have their own pension funds:
 - KLP
 - Statens pensjonskasse (SPK paid out by NAV)
- ▶ Can be exported, when turning 62 years old

Mandatory occupational pension scheme (OTP)

► Contributions

- Employer contribution – minimum 2% and max 7% of salary up to 12 times Basic Amount (G)
- In addition an optional contribution from employer up to 18,1% on employment income between 7,1 and 12 times the basic amount
- Employees might also contribute themselves under the condition that it is decided by the company that all the employees have to contribute
- The same contribution must apply for all the employees in the company

Mandatory occupational pension scheme (OTP)

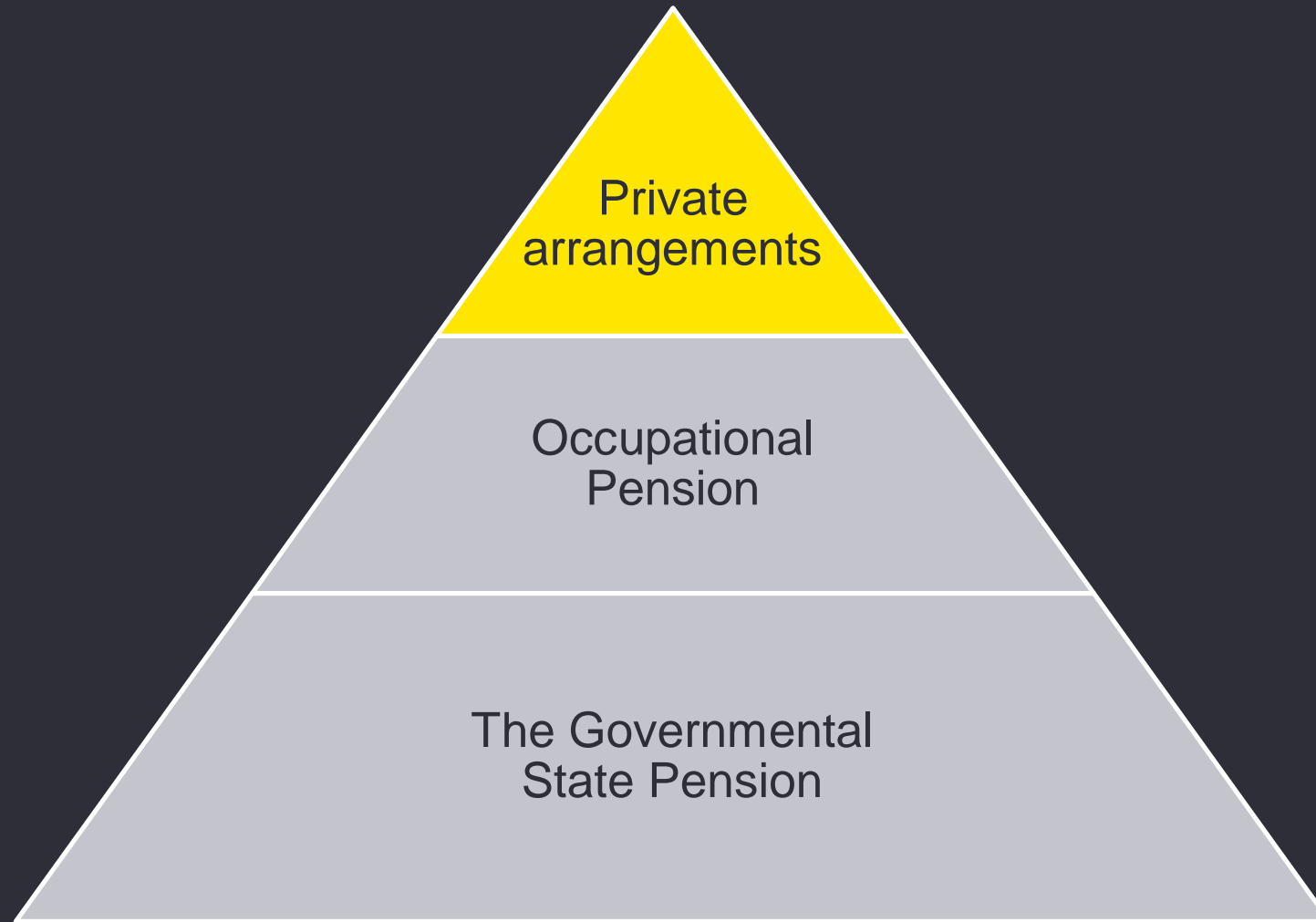
▶ Withdrawal

- Pension available if contribution has been made for a period exceeding 12 months
- You can start withdrawal at 62, you have to start at 67 and the payment will last up to the age of 77
- Withdrawal over a period of minimum 10 years
- Received in addition to the State Pension scheme

Contractual pension (AFP)

- ▶ Early retirement pension scheme
- ▶ Initially introduced in 1988 for LO (Norwegian Confederation of trade union) and NITO (confederation of Norwegian Enterprise)
- ▶ Retirement age 62
- ▶ Meant for hard industrial workers
 - 7 out of 9 latest years in a qualified employer
- ▶ Received in addition to the State Pension scheme

Overview legal picture



Private pension arrangements

- ▶ Foreign and Norwegian private pension arrangements
 - Individual pension saving plan (normally limited to certain number of years)
 - Individual pension insurance (insurance paid out as long as you live)

- ▶ Personal saving:
 - Shares
 - Bank accounts
 - Real estate etc.

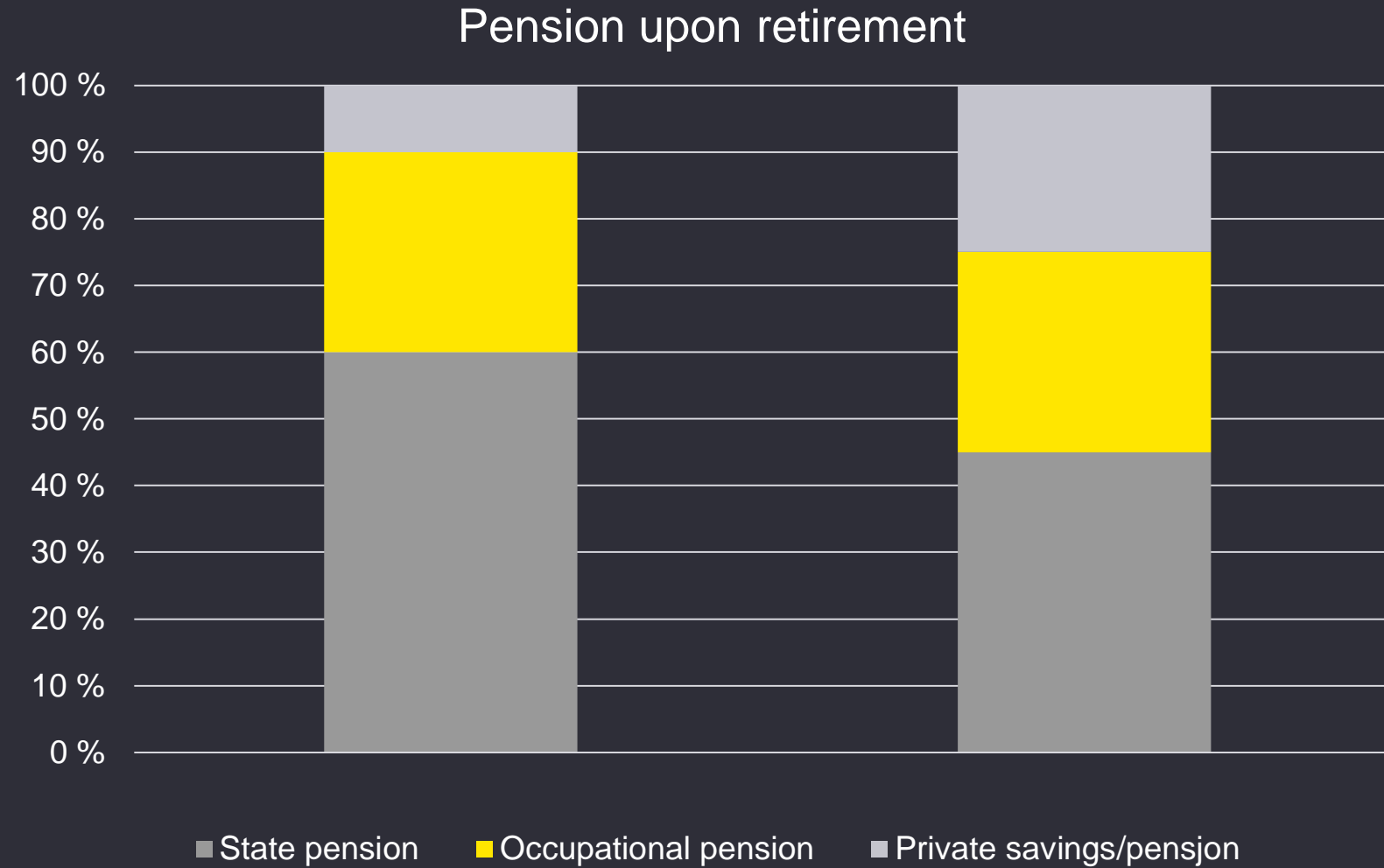
Summary: Maximum pension old regime vs new regime

▶ Basic pension, 40 years in Norway	NOK	106 399
▶ Supplementary pension		
— NOK 106 399 x 42% x 7,0 pension points	<u>NOK</u>	<u>312 813</u>
▶ Maximum annual pension	<u>NOK</u>	<u>419 212</u>
▶ Gross pension per month	NOK	34 934

Maximum pension

▶ Annual income between 13-30 years of age	NOK	200 000
▶ Annual income between 30 -70 years of age	NOK	1 200 000
▶ Accrued pension basis		
NOK 200 000 * 17	NOK	3 400 000
NOK 755 432 * 40	<u>NOK</u>	<u>30 217 280</u>
	NOK	33 617 280
▶ Accrued pension NOK 33 617 280*18,1% =	NOK	6 084 727
▶ Division number – born 1971 withdrawal pension when 70 years of age 14,91		
Annual pension	NOK	408 097
Monthly pension	NOK	34 008

Old regime vs. New regime



Contributing to multiple countries

Export of pension rights

3



Norwegian pension rights when receiving from pension for many countries

Two different situations:

1. Worked/stayed in Norway for some years, do not live in Norway at the retirement age (short stay in Norway)
 - Pension rights can partly or fully be exported
2. Lives in Norway at the age of retirement
 - You will always receive “enough” to live



Lives in Norway at the age of retirement

- ▶ Calculate Norwegian right to pension as normal
- ▶ Short stay in Norway
 - Supplementary allowance might apply (must not be mixed with supplementary pension)
- ▶ NAV will consider whether person qualify for Norwegian supplemental allowance
- ▶ The arrangement with supplemental allowance is based on the intention that no one rightfully retiring in Norway should need to ask for social welfare allowance

Supplemental allowance - who qualifies

- ▶ All persons with permanent residence permit in Norway upon retirement are entitled to ordinary State Pension up to the level of the minimum pension or the guaranteed pension
- ▶ Before calculating supplemental allowance, all pensions worldwide, employment income and capital income has to be taken into calculation in each benefit period
- ▶ Annual application
- ▶ Benefit period 12 months
- ▶ Not out of Norway more than 90 days in the benefit period
- ▶ If wealth exceeds 0,5 G you will not be entitled to supplemental allowance
 - Your house and daily used belongings is not considered as wealth in this respect

Export of pension rights

- ▶ Distinguish between permanent and temporarily stay abroad
- ▶ Export rules will only apply when the stay outside Norway is meant to last more than 12 months
 - Below 12 months, considered as living in Norway
- ▶ Export of pension rights
 - Export pension payment after retirement
 - ▶ As a rule, you will continue to receive retirement pension after moving abroad
 - Export pension rights before retirement
 - ▶ Can be difficult, especially when moving to a non-treaty country

Export of pension rights

- ▶ Occupational pension (OTP) and private arrangements
 - Most likely to be exported 100 %
- ▶ Supplemental pension/Earning related pension (tilleggspensjon/inntektspensjon)
 - Can be exported, no limitation
 - ▶ Special legislation for refugees and supplement allowance
- ▶ Both these are based at your own income, and thus easier to export

Export of pension rights

- ▶ Basic pension/Guarantee pension
 - Export rules are different in old and new regime. Are you born before 1954? After 1963? Or between 1954 and 1963?
 - However, if 20 years in Norway, no export limitation
 - Possible to export to treaty countries
 - Proportional export when export to non-treaty countries
- ▶ Example 1:
 - A Swedish pensioner, born in 1950, lived in Norway 19 years, 14 years working period in Norway.
 - If moving to Spain (treaty in place): Full export of basic pension and supplemental pension
 - If moving to Thailand (no treaty with Norway): Full export of supplementary pension. Basic pension can only be exported for the income period (14 years)
- ▶ The difference between old and new regime: Basic pension (born before 1954) can be exported if based on income (PP). Guarantee pension (born after 1963) – cannot be exported because the stay in Norway is less than 20 years

Export of pension rights

- ▶ Example 2:
 - Adil born 1959 – 4/10 old regime and 6/10 new regime
 - Original from Pakistan (no treaty)
 - Lived 17 years in Norway upon retirement
 - PP in 13 years
- ▶ According to old export legislation, require 20 years in Norway
 - But income based pension is OK to export
 - 6/10 relates to new regime, guarantee pension cannot be exported
 - 4/10 relates to old regime, basic pension can be exported for the 13 years (13/20)

Short stay in Norway

- ▶ If resident outside Norway you need to contact social security authorities in the country where you live upon retirement
 - Social security treaty countries will be coordinated
- ▶ Your pension will be paid out from each specific country (where you have earned right to pension)
- ▶ Example
 - A German citizen has been working in Norway for more than 1 year. He needs to apply for his Norwegian pension via the German social security authorities. He needs to fill in form E207, provide this to the German social security authorities who will send E207 to NAV
 - The German social security authorities will pay the German citizen his/her pension from Germany and NAV will pay the earned right to pension from Norway
- ▶ If resident outside an agreement country – contact NAV directly upon retirement

Export of pension rights

- ▶ Social security agreement between Norway and home country – possible to exempt domestic social security legislation
 - Both conditions according to treaty and domestic legislation must be fulfilled
 - Example:
 - ▶ Chile (agreement in place)
 - ▶ Coverage periods in Chile will count as time in Norway. Thus 1 year working is ok or 3 year living in Norway
 - ▶ EEA/EU, Switzerland, USA, Canada, Quebec, Australia, Chile, Turkey, Bosnia, Hercegovina, Montenegro, Slovenia, Serbia, Israel, India
- ▶ Summary:
 - More than 20 years in Norway – never a problem to export
 - Less than 20 years in Norway – Guarantee pension/minimum pension will be a problem to export, if not any social security agreement is in force between Norway and the respective home country

Tips when leaving Norway

4



What about my pension, when only limited stay in Norway?

- ▶ Notify the National Register and keep the documentation (in and out)
- ▶ Keep the tax assessment notices from working periods in Norway
- ▶ Keep your Altinn account as long as possible
- ▶ NAV do not issue any statements regarding pension when you leave Norway
 - 4-6 months before you reach retirement age, you need to contact NAV and claim your pension

Who do I need to contact

- ▶ If resident in Norway – contact NAV <https://www.nav.no> or your local NAV office
- ▶ If resident outside Norway (in EU/EEA), you need to contact social security authority in the country where you live upon retirement
- ▶ If resident outside Norway and EU/EEA, contact NAV
- ▶ Occupational pension rights, contact insurance company

Links

- ▶ [NAV](#)
- ▶ [Your pension](#)
- ▶ [Pension application from outside of Norway](#)
- ▶ [Min pensjon](#)
- ▶ [Din pensjon](#)

Contact information



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