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## Early Retirement in Norway

### 1. Introduction

#### Overview

Public system of early retirement:

- In Norway, employees can go into early retirement in case of invalidity or long-term unemployment through the publicly financed invalidity or unemployment insurances.

The role of collective labor agreements (CLAs) in early retirement:

- Collective bargaining plays a role in early retirement arrangements in Norway, where early retirement was essentially introduced by collective agreements and further specified and implemented through sectoral and decentralized agreements. The CLAs have been concluded at the intersectoral and sectoral level (Pedersini 2001).
- Norway has a voluntary early retirement pension, the agreement-based flexible pension (*Avtalefestet pensjon*, AFP) which was first introduced in connection with the 1988 incomes policy compromise and extended during the early 1990s (this is mainly for the public sector) (Nergaard: 2004). As employers' associations were seeking to avoid wage increases, they agreed to the voluntary retirement pension (OECD 2004: 70). In April 2008 the LO (*Landsorganisasjonen i Norge*, Norwegian Confederation of Trade Unions) and NHO (*Næringslivets Hovedorganisasjon*, Norwegian Business and Industry) reached

a new agreement, which renewed and changed some provisions in the AFP scheme (Nergaard 2008).

- There are five different AFP plans which cover different sectors of the Norwegian workforce (OECD 2008: 254). Three of them are in the private sector and two in the public sector (Midtsundstad 18.08.2009, interview).
- Part time pension, which is the dominant scheme in Norway, was introduced in 1997 by collective agreements modifying the early retirement provisions from 1988. The objective of part time pension is to provide an alternative to early retirement and to support the financial sustainability of the pension system as a whole. It is implemented through individual agreements (Pedersini 2001).

## Levels of Bargaining

We have not found any evidence.

## Actors

The following actors are involved in collective bargaining on early retirement and have concluded agreements on early retirement:

Trade unions

- Norwegian Confederation of Trade Unions (*Landsorganisasjonen i Norge*, LO)
  - The LO includes the following sectors: manufacturing, construction, transport, and hotels and restaurants.
  - LO *Stat* is a cartel of the LO. LO *Stat* has industrial relations with *Spekter*.
- *Fellesforbundet*: Norwegian United Federation of Trade Unions
- *Finansforbundet*: the Finance Sector Union of Norway
- The Confederation of Vocational Unions (*Yrkesorganisasjoenes Sentralforbund*, YS)
  - The YS consists of 22 trade unions in the public and private sectors with a total membership of over 213,000 (Hansen 2008).
  - Overview of covered sectors:
    - YS municipal sector: In the municipal sector, negotiations take place in a system with joint negotiating teams (Hansen 2008).
    - YS state sector: In the state sector, YS Stat leads the central negotiations. The individual unions conduct their own negotiations with their own ministry (Hansen 2008).
    - YS *Spekter* sector: In the *Spekter* area (enterprises wholly or partly owned by the government and run according to business principles), the unions negotiate directly with their employer counterparts to a greater degree than in the state

sector. The overall provisions in the main agreement and in Part A of the wage agreement (e.g. provisions regarding apprentices, pregnancy etc.) are negotiated at the confederation level while the pure wage negotiations take place directly between union and company (Hansen 2008).

- YS finance sector: In the finance sector the unions negotiate directly with their employer counterparts (Hansen 2008).
- YS private sector: In the Confederation of Norwegian Business and Industry (NHO) area, YS has in recent years negotiated on behalf of its affected organizations in the central portion of the negotiations (Hansen 2008).
- In the view of YS, it is important that older workers do not drop out of the labor market and YS emphasizes that good policy regarding seniors should be an integral part of the human resources policies of businesses (Hansen 2008).
- The Federation of Norwegian Professional Association (*Akademikernes Fellesorganisasjon*, AF) (Lismoen 2001).
- The New Confederation for Academics (*Akademikerne*) (Lismoen 2001).

#### Employers' organizations

- Confederation of Norwegian Business and Industry (*Næringslivets Hovedorganisasjon*, NHO)
- *Spekter*
  - The Employers' Association *Spekter* is the former Employers' Association NAVO (Employer's Association for Semi-autonomous Enterprises) (Spekter 2010).
  - *Spekter* is the third largest employers' organization in Norway (Spekter 2010).
  - The association has around 185 corporate members with approximately 165,000 employees. The companies are either partially or formally publicly owned (Spekter 2010).
- Norwegian Bank Employer's Association (*Bankenes Arbeidsgiverforening*, B.A.F.)

#### **Critical Junctures**

Definition: Critical junctures are time periods or years when important decisions on the development of the collectively negotiated early retirement scheme were made.

We have not found any evidence.

## 2. Important Collective Agreements (Examples)

Agreements between the LO and the NHO:

- The AFP was first introduced in the 1988 incomes policy agreement (Alsos 2007; Midtsundstad 18.08.2009, interview). The scheme has been revised on several occasions. In Norway, collective agreements are renegotiated every two years.
- Originally the scheme was only for employees at the age of 66. In 1998 the minimum age was reduced from 66 to 62 (OECD 2004: 13).
- The AFP is voluntary, employees are free to decide to participate or not (OECD 2004: 13).
- The AFP Scheme between the LO and NHO is not a part of the basic agreement. Instead, the agreement is placed in the Appendix of sectoral agreements of sectors that are part of the LO (Midtsundstad 18.08.2009, interview).

In 2008, the Norwegian government called for a total revision of the AFP scheme as a part of the government's broader reform of the national insurance scheme (NIS) from 2010 (Nergaard 2008). Because of changes being made in the NIS, it was necessary to make changes, both to the content and levels of pension contribution, to the AFP scheme (Nergaard 2008). The unions sought to continue the present levels of state contributions to the AFP scheme (Nergaard 2008).

In April 2008 the LO and NHO reached a new agreement, in which they renegotiated the AFP scheme (Midtsundstad 18.08.2009, interview; Nergaard 2008). They concluded that the scheme will be maintained (it will not be discontinued) and will be renegotiated in 2017 (Nergaard 2008).

Agreements between the YS and the NHO:

- In 1988 the YS entered into a similar agreement with NHO in regard to an early pension scheme (Lismoen 2001).
- The YS is part of the LO-NHO agreement, but not all members choose to join. The YS does not have its own plan (Midtsundstad 18.08.2009, interview).

Agreements between the B.A.F. (*Bankenes Arbeidsgiverforening*, Norwegian Bank Employer's Association) and the *Finansforbundet* (Finance Sector Union of Norway):

- The B.A.F and the *Finansforbundet* concluded an agreement on early retirement in 1995 (Joint Office for the LO/NHO Schemes 2007: 20; Lismoen 2001).
- The bank sector agreement is very similar to the NHO-LO scheme, except for the fact that it is financed through a pay-as-you-go mechanism (Midtsundstad 18.08.2009, interview).

Agreements between the LO, YS, HSH and NAVO (Spekter):

- The LO and YS also concluded an AFP agreement with the HSH (*Handels- og Servicenæringens Hovedorganisasjon*, Federation of Norwegian Commercial and Service Enterprises) and NAVO on early retirement in 1997 (Lismoen 2001).
- Spekter has had an AFP scheme since 1997 (Midtsundstad 18.08.2009, interview).

### **3. Important Sectors**

- The LO/NHO intersectoral agreements include the following sectors: manufacturing, construction, transport, and hotels and restaurants (Midtsundstad 18.08.2009, interview).
- Bank and insurance sector (Midtsundstad 18.08.2009, interview).
- Commercial and service enterprises (semi-autonomous enterprises) sector (Midtsundstad 18.08.2009, interview).

### **4. Structure, Organization and Mode of Administration**

LO-NHO: The joint office is responsible; it includes the secretariat from both the unions and the employers (Midtsundstad 18.08.2009, interview).

### **5. Role of the State: Financial Support, Legislation and Extension Procedures**

In general:

- In Norway, early retirement is being supported by the state (Pedersini 2001).
- The state is very important; it made the schemes, particularly the AFP scheme from LO-NHO, possible (Midtsundstad 18.08.2009, interview).
- In 1997 the state tried to pull out of the scheme. In 2005 there was a pension settlement between all the parties which forced the state to continue. In 2007 the state recommitted itself (Midtsundstad 18.08.2009, interview).

Act of 23<sup>rd</sup> of December 1988 nr.110 relating to government grants to agreement based early retirement schemes: A special act (nr. 110) was established in the wake of the first AFP agreement, in order to provide a framework and to facilitate for the state's financial contribution to the scheme (Lismoen 2001). The following aspects are regulated in the special act:

- Approximately one third of the funding for AFP schemes comes from government grants.
- The extent and conditions of pensions, as well as procedures for the calculation of AFP pensions when combined with work-based income (Lismoen 2001).
- Government contributions have been ear-marked for employees aged 64-66, and not for employees aged 62-63 (Lismoen 2001).
- In order for an AFP to receive government contributions it must be established by agreement between nationwide employee- and employers' organizations (Lismoen 2001).

#### LO and NHO AFP scheme

- The state plays a central role in the voluntary AFP scheme. The plan is primarily for public workers and their early retirement is funded by the government. In the private sector the scheme requires the employer to pay if the employee is between 62-64, afterwards the state contributes 40 per cent until the employee reaches the age of retirement with 67 (OECD 2004:13).
- The state makes it possible for the employee to combine the AFP with the NIS by enabling participants in the AFP to continue acquiring pension rights within the NIS until the age of 67 (Stokke et al. 1999: 43-44).

Extension procedures: There are no extension procedures (Midtsundstad 18.08.2009, interview).

## **6. Financial Structure of the Collectively Negotiated Scheme**

The LO and NHO AFP as of 1997:

- The scheme for employees at the age of 62-63 was partly funded by the employees. All participating companies had to contribute to a fund used to finance the scheme. The scheme was also funded by direct contributions by companies whose employees make use of the scheme (Stokke et al. 1999: 43-44). The state was contributing directly to benefits for the employees at the age of 64-66, but it is not written how much (Stokke et al. 1999: 43-44).
- The state contributed by reducing tax burden for participating companies (Stokke et al. 1999: 43-44).

The LO and NHO AFP as of 2008:

- In the private sector pension benefits are paid for by the AFP scheme if the employee is between the ages of 62-64. After the age of 64 the state contributes 40 per cent until the

employee reaches the age of retirement with 67. The AFP scheme is financed by premiums and contributions from member companies. The employer's premium is based upon the number of employees and working hours in the company. The employer's contribution is 25 per cent of the annual pension, including the AFP supplement (Joint Office for the LO/NHO Schemes 2007: 41-42).

- The new AFP scheme requires substantially larger financial resources than in the past (Nergaard 2008).
- The employer's contribution remains the same, but it takes the form of a premium calculated on the basis of the company's total wage costs. One change for the employer is that in the cases where a worker decides to retire before the age of 67, the new scheme does not require any complementary premium at the cost of the company (Nergaard 2008).
- The state's contribution, on the other hand, will be significantly higher than what it paid in the past. It is estimated in that it will amount to as much as NOK 100 billion (EUR 12.7 billion) over a period of 40 years (Nergaard 2008).

Agreements between the B.A.F. and the *Finansforbundet*:

- The banking and insurance sector has a pay-as-you-go system (Midtsundstad 18.08.2009, interview).

Agreements between the LO, YS, HSH and NAVO (*Spekter*):

- The *Spekter* has a pay-as-you go financing system. Therefore, each member company has to pay all the expenses of the person who is leaving right before they go. If not enough was paid, then more money needs to be contributed, and if too much is paid, the company gets money back (Midtsundstad 18.08.2009, interview).

Summary:

- The AFP is financed by the employers and the state.
- The AFP supplement is financed by the Severance Pay Fund; therefore companies that are members of the AFP scheme must also be members of the Severance Pay Scheme (Joint Office for the LO/NHO Schemes 2007: 10).
- There are no tax exemptions for employers that contribute (Midtsundstad 18.08.2009, interview).

## 7. Benefits and Measures of the Collectively Negotiated Schemes

Eligibility criteria in general:

- In the private sector only employees covered by the relevant agreement are eligible for the scheme, in addition they have to fulfill certain individual requirements (OECD 2004: 70).
- One must have been credited under the public pension scheme for 10 of the years between when one turns 50 and the year before one begins claiming AFP pension (OECD 2004: 70).
- The employee must be at least 62 years old to qualify for early retirement (OECD 2004: 13).
- One must be employed at the time of claiming AFP pension (OECD 2004: 70).
- One's average income must be at least twice the basic amount during the ten best income years since 1966 (OECD 2004: 70).
- One must have been employed in the company for at least three years or have been a member of the LO/NHO AFP scheme for the last five years (Joint Office for the LO/NHO Schemes 2007: 26).
- One may not receive other types of pensions or similar benefits (Lismoen 2001).
- One must have the right to work until 67 (Joint Office for the LO/NHO Schemes 2007: 22).

LO and NHO AFP 1988-2008:

Method of calculation:

- Before 2000, benefits were calculated on the basis of present income (Lismoen 2001).
- Since 2000, AFP benefits have been based on a pro-rata method (a pro-rata percentage of previous income) of calculation (Lismoen 2001).
- The AFP pension scheme bases its provision on actual earnings history and a projection of future earnings from AFP take-up until age 67 (OECD 2004: 70).
- Calculation example: if the income of present employment, in addition to the pension, constitutes 65 per cent of previous income, then the pension, including the AFP supplement, makes up 35 per cent of full pension (Lismoen 2001).

Introduction of part time pension in 1997:

- In 1997, the AFP scheme was changed so that employees did not have to terminate their employment relationships completely in order to be eligible to receive pension. This made part time pension possible (Lismoen 2001). The introduction of part time pension in the



AFP was an active labor market policy aiming to retain more people in employment, as well as a general social policy (Lismoen 2001).

- The right to part time pension was limited to persons who had been working full time and the pension to no more than two days a week between 1997 and 2000. In 2000 it was opened for part time employees and for any number of days a week (Lismoen 2001).
- It is up to the individual employee and the employer to determine the extent and number of days for part time pension (both must agree) (Lismoen 2001).
- Part time pensioners are employees who continue to work and receive an AFP pension share equal to their actual reduction in labor income, without any reduction in the pension paid (OECD 2004: 70).

The LO and NHO AFP 2008:

- The scheme remains the same, including the eligibility requirements of the minimum age of 62, and the situation for part time pensioners (Nergaard 2008).
- The level of pension will be higher than they are today for those who continue working until 63 or older, and for those at 63 the benefits will be more than the present levels in 2010 (Nergaard 2008).
- For those employees who continue working until 67 years of age, they will receive an AFP supplement to the ordinary pension when they retire. This is a major change from the past agreements, in which only people who retired before 67 received AFP benefits. Also workers who retire after 62 will receive a larger annual amount than those retiring early (Nergaard 2008).
- Another change is that the changes in pension benefits – resulting from the new life expectancy adjustments in the reformed NIS – will be compensated for all workers born before 1953 and will be partially compensated for all workers born in the period 1954–1962 through the AFP scheme (Nergaard 2008).

Other benefits listed in the 2007 LO and NHO agreement:

- A transition to AFP does not give the employee the right to severance pay, but the employee will receive a supplement that normally amounts to NOK 950 per month (tax free), known as the AFP supplement (Joint Office for the LO/NHO Schemes 2007: 12, 32).
- A person who takes early retirement (AFP), even as part time pension, is regarded as having left voluntarily and therefore does not receive severance pay (Joint Office for the LO/NHO Schemes 2007: 12).
- An AFP pension may not be granted at the same time as other NIS benefits, such as a part time disability pension, rehabilitation allowance, survivor's pension or transitional allowance (Joint Office for the LO/NHO Schemes 2007: 20).

- Years during which one collects AFP pension are credited under the NIS. The NIS retirement pension is intended to be the same as the pensioner would have received if the person had continued to work until the age of 67 and not participated in AFP (Joint Office for the LO/NHO Schemes 2007: 19).
- The size of a full AFP pension is the same as that of the retirement pension the employee would have received from the NIS at the age of 67 if he or she had not taken out the AFP pension (Joint Office for the LO/NHO Schemes 2007: 31). The AFP pension is made up of: a basic pension, a supplementary pension, which together makes the 'NIS calculated benefit', and the AFP supplement (Joint Office for the LO/NHO Schemes 2007: 33).
- The pension cannot be more than 70 per cent of the employee's previous pensionable income, which is calculated by averaging the best three of the five last known tax assessment years prior to the retirement year (Joint Office for the LO/NHO Schemes 2007: 31).
- Part time pension
  - One must reduce by at least one full day of work (Joint Office for the LO/NHO Schemes 2007: 31).
  - The AFP supplement is reduced proportionally when one chooses part time pension (Joint Office for the LO/NHO Schemes 2007: 32).
- Spouse supplement
  - If one's spouse (or partner according to the Partnership Act) is over 60, dependent (earns less than NOK 66,812) and does not collect national disability insurance or retirement pension, then they are entitled to a dependent's supplement, which amounts to 50 per cent of the pensioner's basic pension (Joint Office for the LO/NHO Schemes 2007: 32).
  - There is no supplement for dependent children (Joint Office for the LO/NHO Schemes 2007: 32).
  - If one's spouse has an annual income that exceeds NOK 1,133,624 including capital income and pension, or receives an AFP or NIS pension, then one's basic pension will be reduced according to the same rules as for NIS pensioners (coordination) (Joint Office for the LO/NHO Schemes 2007: 34).

Agreements between the B.A.F. and the *Finansforbundet*:

The benefits in the bank- and insurance sector are the same as those in the LO-NHO AFP scheme (only the financing is different) (Midtsundstad 18.08.2009, interview).

Agreements between the LO, YS, HSH and NAVO (*Spekter*):

The benefits in the *Spekter* sector are the same as those in the LO-NHO AFP scheme (only the financing is different) (Midtsundstad 18.08.2009, interview).

## **8. Coverage Rates of the Collectively Negotiated Schemes**

In general:

- The AFP agreements in the private sector cover approximately 575,000 employees as of 1998. In reality 21,483 employees were participating in AFP pensions in 1998, of which 20 per cent were on part time pension (Lismoen 2001).
- In 2000, approximately 18 per cent of the Norwegian population between the ages of 62 to 67 collected AFP pension, of which 75-80 per cent enjoyed full pension (Lismoen 2001).

Companies that are covered:

- The AFP covers everyone employed in companies which are associated with the scheme. Therefore, almost all companies with a collective agreement in force are covered (Nergaard 2008).
- Employees are covered by the LO/NHO AFP Scheme if the company they work for is party to a collective agreement to which the AFP Scheme is one of the appendixes (e.g. the building industry, see appendix 1 to see an example of such an appendix). In this case all the employees, both trade union members and non-trade union members, will in principle be covered by the AFP Scheme (Joint Office for the LO/NHO Schemes 2007: 20).
- Companies that are members of NHO and have a collective agreement with an LO national union (Joint Office for the LO/NHO Schemes 2007: 21),
- companies that are members of NHO and have a collective agreement with a non-LO union when the AFP Scheme is part of the agreement (Joint Office for the LO/NHO Schemes 2007: 21),
- companies that have a direct agreement with an LO national union (Joint Office for the LO/NHO Schemes 2007: 21),
- companies that have a collective agreement with an employers' organization other than NHO when LO is party to the agreement (Joint Office for the LO/NHO Schemes 2007: 21),
- and most of the time, companies that are members of the employers' organization HSH and the employees' organization YS (Joint Office for the LO/NHO Schemes 2007: 21).

- Companies that have established an equally good or better pension scheme for their employees on their own initiative are not entitled to be members of the AFP Scheme (Joint Office for the LO/NHO Schemes 2007: 21).

The LO and NHO AFP 2004:

- This scheme was developed by the social partners and covers about 60 per cent of the work force in Norway. This includes all public sector workers and as of 2004, 43 per cent of workers in the private sector (OECD 2004: 70).
- As of 2004, about 20 per cent of the relevant age group (62-67) was retired under this scheme (OECD 2004: 13).

## **9. The Politics around the Collectively Negotiated Scheme**

### **Linkages to Public Reform Policies**

We have not found any evidence.

### **Linkages to Wage Agreements and Wage Policy (e.g. Wage Restraint, Tripartite Agreements) and Other Agreements**

We have not found any evidence.

### **Actors' Strategies and Conflicts among and between Them (State, Political Parties, Employers, Trade Unions)**

We have not found any evidence.

## **10. Recent Developments and Other Interesting Information**

The AFP schemes (LO-NHO, bank/finance and *Spekter*) were renegotiated and adjusted to the forthcoming reform of the NIS during the 2008 bargaining round, which will be implemented in 2011. The new agreement in the private sector is very different than the agreement made in the public sector, for private sector employees between 62-65 (Midtsundstad 18.08.2009, interview; Nergaard 2008). The main change is that currently only those who retire before 67 receive benefits. But in the future all retirees will receive benefits, regardless of when they retire. This represents a change away from early retirement schemes towards defined contribution occupational pension schemes (Midtsundstad 18.08.2009, interview). Furthermore, there is currently a discussion in the private sector to

create one common scheme for all private sector employees, for which a common fund would be created (Midtsundstad 18.08.2009, interview).

## 11. Contacted Experts

We thank the following expert and colleague for providing information and answering very specific questions:

- Midtsundstad, Tove, 18.08.2009, Fafo Research Coordinator, cand.polit. in Political Science, University of Oslo, telephone interview

## 12. List of Abbreviations

- AF: *Akademikernes Fellesorganisasjon* (Federation of Norwegian Professional Association)
- AFP: *Avtalefestet pensjon* (Agreement-based flexible pension)
- B.A.F.: *Bankenes Arbeidsgiverforening* (Norwegian Bank Employer's Association)
- EUR: Euro
- HSH: *Handels- og Servicenæringens Hovedorganisasjon* (Federation of Norwegian Commercial and Service Enterprises)
- LO: *Landsorganisasjonen i Norge* (Norwegian Confederation of Trade Unions)
- NAVO: employer's association for semi-autonomous enterprises, since 1993 Spekter
- NHO: *Næringslivets Hovedorganisasjon* (Norwegian Business and Industry)
- NIS: National Insurance Scheme
- NOK: Norwegian krona (currency of Norway)
- OECD: Organization for Economic Co-operation and Development
- YS: *Yrkesorganisasjonenes Sentralforbund* (The Confederation of Vocational Unions)

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# Appendix I

## Collective Agreement on Pensions (AFP)

(From the COLLECTIVE AGREEMENT FOR THE BUILDING INDUSTRY (FOB) 2008 – 2010)

**A.** The state of the economy does not permit a general reduction in retirement age.

However the parties consider it necessary to have a proper alternative to the present practices. Therefore the parties have agreed to establish an agreement on a pension scheme under which occupationally active employees covered by the scheme are entitled to retire at the age of 62.

### **B. CONDITIONS FOR ENTITLEMENT TO PENSION**

To be entitled to a pension under the collective agreement scheme (AFP), the employee must, at the time of taking out the pension, be a genuine employee of an enterprise that has been included in the scheme for at least two years, and also:

1. have become 62 years of age
2. have been employed by the enterprise for the past three years or have been a member of the scheme for the past five years
3. not be receiving any pension or similar benefits from the present employer except in return for performance of work
4. have a pension-earning income that on an annual basis exceeds the basic NIS amount (G) and in addition has had a corresponding pension-earning income in the year before leaving
5. have had at least 10 years of earning National Insurance pension points from the year he or she turned 50 up to and including the year before leaving
6. in the best 10 years in the period from and including 1967 to and including the year before leaving, has had a pension-earning income averaging at least twice the basic National Insurance amount.

*NB! Employees who are under obligation to retire before reaching the age of 67, cannot belong to the scheme. This similarly applies for employees who have an agreement with their employer that they will leave on an AFP pension at a specific time, provided such agreement was made more than six months before the desired date of taking out AFP pension.*

### **C. PENSION LEVELS:**

1. As a general rule an employee who joins the scheme will receive a pension corresponding to the retirement pension he or she would have received from National Insurance on reaching the age of 67 if the employee had not taken out AFP. The pension consists of a basic pension which is the same for everyone and a supplement that depends on the earlier pension-earning income.
2. The pension referred to in 1 above may nevertheless not amount to more than 70 per cent of the sum the employee earned while at work.
3. A tax-free AFP supplement of NOK 950.- per month will generally be given in addition to the pension referred to in 1 above. -45-
4. Retirees who support a spouse who has turned 60 years of age may be allowed a supplement for the spouse that amounts to 50 per cent of the basic pension. Such a supplement will not be allowed if the spouse earns more than the basic National Insurance amount or is receiving a retirement or disability pension from National Insurance.

### **PART TIME PENSION**

If the employer and the employee so agree, a graded pension may be drawn. This system is confined to employees in full-time positions.

1. If employer and employee so agree, it will be possible to decrease the amount of time worked by degrees. For entitlement to pension, the number of hours worked must be reduced by at least one day a week. Agreements for retaining the position must be made in writing.

### **D. THE SCHEME IS FINANCED AS FOLLOWS:**

1. In the case of pension paid out after the retirees turn 64 years of age, the costs will be divided between the State and the employers. The costs of pensions drawn before 64 years of age, will be covered in full by premium and contributions paid by the employers.
2. The employers' share will be financed by:
  - a) The number of employees on whom premium calculations are to be based is determined from information reported by the enterprise to the National Insurance employer /employee register, divided up as follows:
    - Group 1: 4 – 19 hours weekly
    - Group 2: 20 – 29 hours weekly
    - Group 3: 30 hours or more per week



Premium for all employees of the enterprise shall be paid quarterly by the enterprises at the following quarterly rates:

Group 1: NOK 705.-

Group 2: NOK 810.-

Group 3: NOK 930.-

These rates apply from the second quarter of 2007.

The amounts may be adjusted by the LO secretariat and NHO's executive committee on the recommendation of the Board of the AFP scheme.

The premium shall be paid quarterly to the Joint Office for the LO/NHO Schemes.

The premium paid in shall cover the enterprise's aggregate commitments (excluding its own contributions to pensions paid) under the AFP scheme.

b) A sum to be borne by each enterprise (its own contribution), linked with the individual persons who draw pension under the scheme.

This contribution is to be 25 per cent of the individual's annual pension.

c) The AFP supplement will be financed by the Severance Pay Scheme.

3. The State contribution to the costs of the scheme will be 40 per cent of the costs of the AFP scheme (excluding the AFP supplement) for pensions paid out after the retiree becomes 64 years of age.

**E.** Employees who avail themselves of the scheme are guaranteed pension payments until they reach 67 years of age - irrespective of the solvency of the enterprise.

**F.** The Board of the AFP Scheme is also the Board for the Severance Pay Scheme.

**G.** In addition to the NHO member companies who are bound by the collective wage agreement, this agreement may also be made applicable for enterprises outside NHO that have collective wage agreements with unions affiliated to LO.

**H.** The AFP pension agreement shall be incorporated as part of each and every collective wage agreement between NHO and unions affiliated to LO.

Amendments in the AFP scheme became effective from 1 October , 1 October 1993 (64 years), 1 January 1996, 1 October 1997 (63 years), 1 March 1998 (62 years), 1 July 1998, 1 January 2000 (premium calculations), 9 May 2000 (miscellaneous amendments in by-laws), 13 December 2002 (misc. amendments in by-laws), and 28 April 2006 ( misc. amendments in by-laws).

Further details are set forth in Act No. 110 of 23 December 1988 relating to State contributions to AFP schemes; and in the by-laws adopted by the Board and approved by the Ministry of Public Health and Social Inclusion, lastly on 28 April 2006.