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Report to Stortinget (white paper)

The Government Pension Fund 2026

Recommendation of the Ministry of Finance of 27 March 2026, approved by the Council of State on the same day (Government Støre)

Unofficial translation from Norwegian. For information only.

1 Executive summary

The Government Pension Fund consists of the Government Pension Fund Global (GPFG) and the Government Pension Fund Norway (GPFN). The Fund shall support the financing of pension expenditure under the National Insurance Scheme and facilitate long-term considerations in the use of state petroleum revenues, so that the petroleum wealth benefits both current and future generations. The investment objective is to achieve the highest possible return, given an acceptable level of risk. Within the scope of the financial objective, the Fund shall be managed responsibly.

The GPFG is integrated into the fiscal policy framework. The State's net cash flow from petroleum activities is transferred to the Fund. Each year, transfers are made from the Fund to finance the non-oil budget deficit. Growth in the value of the GPFG over the last two decades has permitted a significant increase in transfers, within the limits of the fiscal policy guideline.

The fiscal policy guideline links the spending of Fund assets over time to the expected real rate of return on the GPFG, which is estimated to 3 percent. Withdrawals in a normal year should be well below this level, allowing for additional savings that may be used during major economic downturns or periods of significant declines in the value of the Fund.

The GPFG has become an increasingly important source of funding for public expenditure. In 2026, it is estimated that about 27 percent of the central government budget will be financed by transfers from the Fund. The Fund provides Norway particular fiscal space, but also increases the exposure of public finances to developments in international financial markets.

The establishment of the Government Pension Fund has facilitated long-term management of petroleum revenues. Successive governments and parliaments have contributed to the development of the framework that guides the Fund. There has been broad support for the Fund structure, the fiscal policy guideline, and the investment strategy. Broad support for the

level of risk assumed through the investments is important for the ability to maintain the chosen strategy over time, including during periods of financial turbulence.

Decisions taken by the political authorities have been instrumental in building Norway's substantial financial wealth. The most important decision concerns the choice of equity share. Approximately 97 percent of the value of the GPFG stems from contributed capital and the return on the benchmark index set by the Ministry of Finance.

Norges Bank and Folketrygdfondet have made significant contributions to the value development of the GPFG and the GPFN, both by providing advice on the investment strategy and by implementing the chosen strategy in an effective and cost-efficient manner. Over time, they have achieved returns that exceed the benchmark returns set by political decisions.

The Ministry of Finance is responsible for the management of the Government Pension Fund and sets the investment strategy and overall framework for the Fund. Decisions that are crucial for the Fund's return and risk, as well as for the framework for responsible investment, are endorsed by Stortinget.

The Government Pension Fund is not a policy tool for pursuing objectives other than long-term saving. Political priorities are addressed through the central government budget. The objective of achieving the highest possible return, given an acceptable level of risk is central for the Fund's role in financing public expenditure.

Norges Bank and Folketrygdfondet carry out the operational management within the mandates issued by the Ministry. Investment decisions and the exercise of ownership rights require detailed knowledge of the companies and markets in which the Funds are invested. These decisions are made independently of the Ministry, ensuring a clear division of roles and an arm's-length distance between political authorities and individual investment decisions.

Management shall be conducted with the greatest possible transparency, within the limits of the sound execution of the mandate. Transparency is important for maintaining the legitimacy of the Fund. In some cases, however, full openness may be restricted to protect the financial interests of the Fund.

International trade and economic integration have been important drivers of economic growth and the strong financial market returns in recent decades. This development is now challenged by increased great-power rivalry and geopolitical uncertainty, with a risk of greater fragmentation and reduced economic integration. Democratic erosion, protectionism, state rivalry and economic decoupling may also weaken global growth. This may reduce the Fund's returns and its ability to finance public expenditure.

The GPFG has grown to become one of the world's largest funds and is increasingly visible. How the Fund is managed attracts attention. When democracy, transparency and a free press come under pressure, expectations for responsible investment may become more difficult to meet. There is also a risk that the Fund may be perceived as an expression of Norwegian foreign policy, which may trigger reactions, as noted by the Expert Council in its 2025 report, see section 3.1.

The framework for the GPFG must be adapted to the conditions under which the Fund operates. Clear communication that the Fund is a financial investor operating at an arm's-length distance from the political authorities is important for its legitimacy. For a large fund like the GPFG, there is nowhere to hide. In the face of rising political and geopolitical uncertainty, broad diversification of investments reduces vulnerability to regional events, but cannot prevent significant losses when serious events affect the global economy. The Ministry and Norges Bank monitor developments closely.

Investment strategy

The Ministry of Finance emphasizes that the investment strategy for the GPFG and the GPFN be evidence-based and tailored to the characteristics and purpose of the Funds. The investment strategy has developed over time, based on expert analysis, assessments, and experience. The Funds' purpose, size, ownership structure, and other defining characteristics may create investment opportunities, but they may also entail certain limitations.

In the management mandates of the Funds, the strategy for the GPFG and the GPFN is expressed through the composition of the benchmark indices. The strategic benchmark indices set a fixed allocation between equities and fixed-income securities and express the chosen investment preferences and risk tolerance. The choice of equity share is the decision that most strongly determines expected return and risk. For the GPFG, the equity share is 70 percent, while for the GPFN it is 60 percent. In general, investments offering higher expected returns will also entail greater return volatility and a higher risk of loss. In other words, there is a trade-off between return and risk.

In endorsing the choice of equity share, Stortinget has expressed what it considers an acceptable level of risk in the management of the Fund. The historical developments of equity and fixed income markets have not moved in tandem, which means that the equity and fixed income indices generally do not move in sync. To ensure that the level of risk over time remains consistent with the expressed risk tolerance, rules have been established for rebalancing the equity share. Rebalancing is conducted when deviations from the fixed strategic share exceed certain predetermined thresholds.

A key premise of the investment strategy is that risk can be reduced through diversification. By spreading investments across different asset classes and, in the case of the GPFG, across

companies throughout much of the world, vulnerability to developments affecting individual companies, industries, countries or regions is reduced. Over time, a broadly diversified portfolio will involve lower risk than a concentrated portfolio. Conversely, less diversification and more restrictions on the Fund's investment opportunities may result in higher risk without a corresponding increase in expected return.

The benchmark indices are constructed to ensure broad diversification and enable close replication at low cost. The GPFG's benchmark index comprises thousands of companies and fixed income instruments and reflects, to a considerable degree, the investment opportunities in the global listed financial markets. Due to market size, the United States accounts for slightly more than half of the GPFG's benchmark index.

The indices are also used to measure the performance achieved by Norges Bank and Folketrygdfondet in their management. Within mandated risk limits, the managers may deviate from the benchmark indices. The purpose is to facilitate cost effective management and exploit the distinctive characteristics of the Funds to achieve excess return, meaning a return that exceeds that of the benchmark index.

The investment strategy is based on a long investment horizon. The GPFG and the GPFN have a greater capacity to withstand risk in the form of annual fluctuations in returns than an investor with major payment obligations and a shorter investment horizon. The two Funds are therefore able to weather market downturn without having to sell at unfavorable times.

The investment strategies for the GPFG and the GPFN are discussed in sections 2.2 and 4.2, respectively.

Results in 2025

In the course of 2025, the value of the GPFG increased by NOK 1 526 billion, to NOK 21 268 billion. Favorable developments in the financial markets resulted in a return of 15.1 percent, measured in the Fund's currency basket and before the deduction of management costs. In the Fund's financial statements, the result amounted to NOK 2 362 billion. Net transfers to the Fund totaled NOK 327 billion, as the State's net cash flow from petroleum activities was significantly higher than the non-oil budget deficit. A stronger Norwegian krone compared to the Fund's currency basket contributed on a standalone basis to reducing the Fund's value in Norwegian kroner by NOK 1 155 billion. Changes in the krone exchange rate do not affect the international purchasing power of the Fund.

The market value of the GPFN increased by NOK 36 billion last year, to NOK 417 billion, after a withdrawal to the State of just under NOK 12 billion. The return was 12.7 percent, measured in Norwegian kroner and before management costs.

The objective for the investment management by Norges Bank and Folketrygdfondet is to achieve the highest possible return after costs, within the limits set in the mandates from the Ministry of Finance. In 2025, Norges Bank achieved a return that was 0.28 percentage points below the benchmark index, while Folketrygdfondet achieved a return that was 0.76 percentage points above the benchmark index.

The Ministry assesses the results achieved in the GPFG and the GPFN over time. Over the past 20 years, the average annual excess return of the GPFG has been 0.12 percentage points. The Ministry is satisfied with the results achieved in the GPFG. Since 2007, the excess return of the GPFN has averaged 0.99 percentage points per year, and the Ministry is very satisfied with this result. Measured as a share of assets under management, costs last year amounted to 3.8 basis points (0.038 percent) for the GPFG and 6.7 basis points (0.067 percent) for the GPFN. The Ministry emphasizes cost effective management, and comparisons with other funds show that management costs in both the GPFG and the GPFN are very low.

The results of the management of the GPFG and the GPFN are discussed in more detail in sections 2.4 and 4.4, respectively.

Responsible investment

The Government Pension Fund shall be managed responsibly. Environmental, social, and corporate governance considerations therefore form an integral part of the management of the Fund.

The mandates issued by the Ministry of Finance require Norges Bank and Folketrygdfondet to establish responsible investment principles in accordance with internationally recognized standards, such as those from the UN and the OECD.

The responsible investment activities include advocating sound corporate governance principles and communicating expectations for responsible business conduct, contributing to the development of international standards and best practices, supporting academic research in the field, as well as engaging in dialogue with companies and voting at general meetings. Norges Bank and Folketrygdfondet have prepared expectation documents on various topics, including human rights, climate, nature-related issues, and human capital. These documents are directed at the boards of the companies in which the GPFG and the GPFN are invested. The documents serve as a basis for ownership dialogue and for the work undertaken in relation to standard setters.

The Ministry of Finance has adopted ethically motivated guidelines for the GPFG. The Fund shall not be invested in companies that have been excluded pursuant to these guidelines. The guidelines feature both product based and conduct based criteria. On 23 October 2025, the Minister of Finance gave an account to Stortinget on developments relating to the

management of the GPFG and expressed that the ethical framework and its implementation should be reviewed to ensure an appropriate balance between important considerations. On 4 November, Stortinget adopted a resolution requesting the Government to review the ethical framework for the Fund. As part of the follow-up to this resolution, the Ministry of Finance appointed a commission on 7 November to assess and propose changes to the ethical framework and relevant parts of the responsible management of the Pension Fund. On the same day, the Ministry adopted temporary ethical guidelines, which apply until a new ethical framework is in place.

Under the temporary guidelines, the Council on Ethics shall continue to monitor the Fund's investments with a view to identifying whether companies contribute to or themselves are responsible for production or conduct that is in violation of the guidelines. The Council shall inform Norges Bank of companies identified for potential ownership follow-up by the Bank. Heightened vigilance and more rapid responses shall be exercised in situations where the premises for the Fund's investments in a country change significantly within a brief period of time, for example as a result of war. Norway shall continue to comply with its obligations under international law.

The commission is to submit its report by 15 October 2026. The report will be circulated for broad public consultation, after which the Ministry of Finance will present the matter Stortinget in an appropriate manner.

The responsible investment activities in the GPFG and the GPFN are discussed in sections 2.3 and 4.3, respectively.

Expert Council for the Government Pension Fund Global

In 2025, the Ministry of Finance established an expert council for the GPFG to provide advice and assessments to the Ministry on the investment strategy for the Fund, the framework for responsible investment, and the follow up of Norges Bank. The council consists of Professor of Economics Karen Helene Ulltveit Moe, Chief Economist Harald Magnus Andreassen and Professor of Finance Magnus Dahlquist.

The council's mandate for 2025 has been to assess the foundations of the investment strategy, including the emphasis on broad diversification of investments and the harvesting of risk premiums. In this context, the council was asked to consider the composition of the benchmark index, taking into account international political and economic developments. The council was also asked to propose a framework for the systematic review of the Fund's strategic choices. The expert council presented its assessments on 26 January 2026, highlighting the following:

- the financial objective of the Fund must be given sufficient weight and attention. It is also important to communicate realistic expectations with respect to what can be achieved through responsible investment and the Fund's role as a financial investor
- increased geopolitical risk calls for continued broad geographical diversification,
- a new comprehensive review of the bond benchmark should be conducted,
- systematic five-year reviews of the investment strategy should be undertaken to ensure that the Fund remains robust in the face of geopolitical uncertainty and market developments.

In its mandate for 2026, the Ministry has asked the council to initiate a review of the investment strategy. Based on this review, the Ministry requests a specific assessment of various aspects of the Fund's bond investments. The Ministry intends to consider other recommendations from the council at a later stage. Furthermore, in a letter of 25 February 2026, the Ministry asked Norges Bank to provide analyses and assessments of various aspects of the bond investments. The Bank has also been asked to analyze and assess concentration risk in the equity portfolio, as well as to prepare relevant scenarios for geopolitical risk.

See section 3.1 for further details and the Ministry's assessment.

Review of Norges Bank's management of the GPFG

The Ministry of Finance conducts regular reviews of Norges Bank's management of the GPFG. The purpose is to strengthen confidence in the management and to support the ability to remain committed to long-term investment strategies, also during periods of weak performance. In this white paper, the Ministry presents the assessments of an expert group that has conducted a new review of the management.

The mandate from the Ministry of Finance allows Norges Bank to deviate from the benchmark index established by the Ministry. A central issue considered in the regular reviews is whether the scope for deviations should be amended. This scope has remained unchanged since 2016.

As part of the review, the Ministry of Finance commissioned Professor Trond Døskeland and Associate Professor Andre Wattø Sjuve at the Norwegian School of Economics to assess Norges Bank's management of the GPFG. The Ministry has also received analyses and assessments from Norges Bank. In January 2026, an open seminar was held on the Bank's active management of the GPFG.

The analyses by Døskeland and Sjuve show that Norges Bank's deviations from the benchmark index explain only a small share of the historical fluctuations in the Fund's overall return. Measured in this way, the management of the GPFG can be characterized as closely aligned with the benchmark. The experts estimate that the Bank's management contributed

to increasing the market value of the GPFG by just over NOK 600 billion before the deduction of management costs, and by more than NOK 400 billion after management costs, over the period from January 1998 to December 2024.

The Ministry's assessment is that Norges Bank's active management has been satisfactory overall, and that the GPFG should continue to be managed with a certain degree of active management. The Ministry shares Norges Bank's assessment that the scope for deviations appears sufficient under the current management model and therefore will not introduce any changes at this stage.

The review of Norges Bank's active management is discussed in more detail in section 2.5.

Assessment of proposal for certain amendments to the management mandate for the GPFG

Folketrygdfondet has proposed certain changes to the mandate for the management of the GPFN, including whether floating regional weights based on adjustment factors should be introduced, and whether the share of government bonds should be aligned for bond investments in Norway and the rest of the Nordic region. The Ministry does not propose introducing floating geographical allocations but proposes that a fixed weight of 30 percent be applied to government bonds also in the Nordic segment of the bond index.

See the discussion of certain amendments to the management mandate for the GPFN in section 5.1.