

Fact sheet

ATP's pension product

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ATP's pension product

ATP LIVSLANG PENSION (LIFELONG PENSION) is a collective pension scheme that all employees and almost everyone on transfer income contribute to. Contributions from members are paid automatically either by the members' employer or the Danish state. The size of annual contributions are specified by the social partners.

Members accrue pensions from contributions paid into their ATP Livslang Pension, with each contribution increasing the amount eventually paid out. Pensions are paid from the time a member reaches state retirement age (or can be deferred for up to 5 years) and lasts for the remainder of their life.

Prior to accrual of pension, a payment to the labour market, along with a small amount to pay for a term assurance is deducted from the contribution. The term assurance ensures that any spouses (or spousal equivalents) and children receive a lump sum if the member dies. You can read more about survivor benefits [here](#).

Guarantee contributions and bonus contributions

When a member pays into ATP's pension product, the contribution is split into two parts after the deductions mentioned above. A guarantee contribution (80 per cent) and a bonus contribution (20 per cent).

The member accrues an individual entitlement to receive pensions from ATP from the guarantee contribution. For members who are more than 15 years from retirement age, the guarantee contribution is divided into a market contribution and an interest contribution,



cf. below for more information about the various life annuities. The guarantee contribution is specified to be 80 per cent of the pension contribution.

Members do not immediately accrue any entitlements to a pension from the bonus contribution, as this is allocated to the bonus potential. The funds in the bonus potential are invested to generate returns that can be used to increase members' pensions.

The funds in the bonus potential are also used to maintain the size of the members' pensions if life expectancy increases more than ATP's forecasts project. The funds in the bonus potential belong to all of ATP's members collectively.

You can read more about the rules for specifying and dividing contributions [here](#).



Pension savings are adjusted based on the age of members

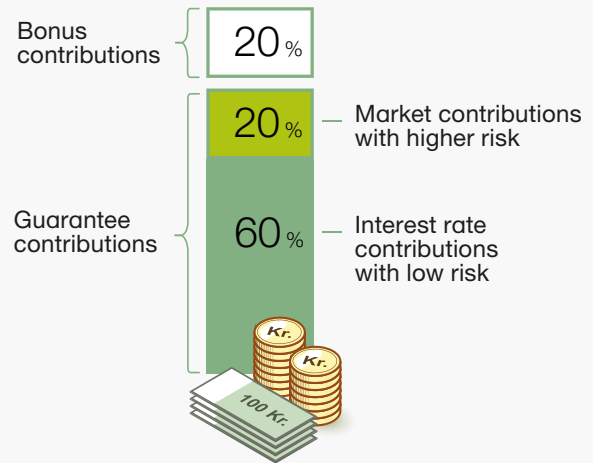
ATP's pension product is structured to continually take into consideration the need for predictability when it comes to the size of a member's pension. This ensures that members get the best possible pensions. Therefore, the way in which pension is accrued depends on the member's age.

Not all members have the same need for predictability. Members who have either already retired or who will shortly retire need a high degree of predictability so that they know how much money they will have coming in when retired. Younger members do not need the same high level of predictability, and with their long investment horizon, they benefit more from higher projected returns and thus the prospect of higher pension payments.

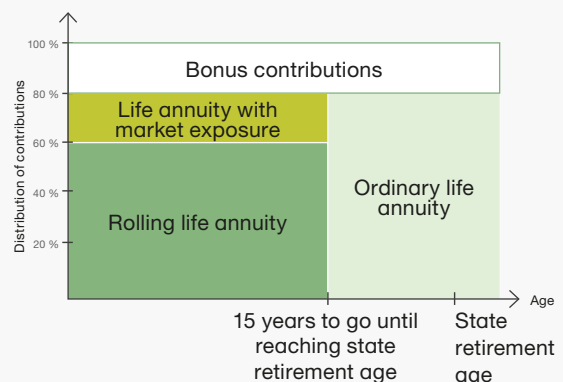
Members with 15 years or less to go until they reach retirement age accrue pensions via an ordinary life annuity.

For members with more than 15 years until they reach state retirement age, the guarantee contribution is divided into an interest contribution and a market contribution. The interest contribution accrues pension for the member via a *rolling life annuity* and the market contribution accrues pension for the member via a *life annuity with market exposure*.

Types of contributions



The different types of life annuities



Shortcut

Links

Survivor benefits

<https://www.borger.dk/pension-og-efterloen/ATP-Livslang-pension-over-sigt/ATP-udbetaling-ved-doen>

Rules for specifying and dividing contributions

<https://www.borger.dk/pension-og-efterloen/ATP-Livslang-pension-over-sigt/ATP-Livslang-Pension/ATP-lovgivning>

The different types of life annuities

All of the pensions accrued via the different types of life annuities are entitled to increases via bonuses if ATP's financial position allows for this. The different life annuities are also guaranteed in terms of life expectancy in the sense that the pensions will not be decreased if life expectancy rises more than projected. Another thing the different types of life annuities have in common is that once per year for each of the three different types there is a specification of how much pension a member accrues for a contribution in a given calendar year.

Specifically, each year the amount of pension benefit for each DKK 100 of contribution is set. These rates are called a 'tariff' and are stated in the annual notifications on guarantee contributions, tariffs and capitalisation limits at ATP. When specifying tariffs, ATP includes considerations for its members' life expectancies and projections for possible returns.

You can read more about the rules for the annual tariffs [here](#).



The mathematical basis for the calculations are shown in ATP's Pension and Provision Basis which is reported to the Danish Financial Supervisory Authority.

You can read more about ATP's Pensions and Provisions Basis [here](#). (PDF. In Danish.)



Ordinary life annuity

The ordinary life annuity - which is used for members who have less than 15 years to go until reaching the retirement age - is the most predictable of the life annuities used by ATP.

The pension that is accrued via an ordinary life annuity is already known at the time of making contributions and the pension cannot subsequently be reduced. When calculating the tariff, the return that ATP can generate by investing contributions until the time money is required to pay pensions is taken into account.

You can consider the ordinary life annuity as a long-term bond with a fixed rate of interest that is determined at the time of making the contributions.

Shortcut

Links

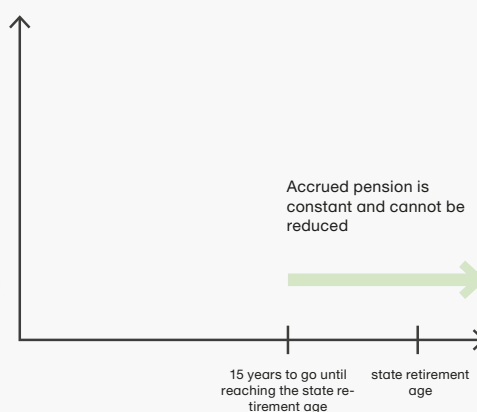
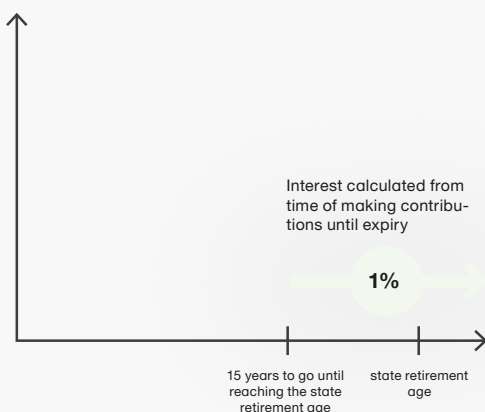
Rules for the annual tariffs

<https://www.borger.dk/pension-og-efterloen/ATP-Livslang-pension-over-sigt/ATP-Livslang-Pension/ATP-lovgivning>

ATP's Pensions and Provisions Basis

<https://www.atp.dk/dokument/atps-pensions-og-hensaettelsesgrundlag>

Ordinary life annuity



Rolling life annuity

When calculating the tariff for the rolling life annuity, just as with the ordinary life annuity, investment returns from invested contributions are taken into account. But for the rolling life annuity, it is only the next 15 years of returns that are included. Subsequently, at 15 year intervals additional returns for the coming 15 years are included in the calculation resulting in an adjustment to pension benefits (this may be positive or negative depending on whether interest rates at that time are positive or negative).

You can consider the rolling life annuity as a long-term bond with interest rate adjustment that takes place every 15th year.

When there is less than 15 years to go until reaching state retirement age, then just as with the ordinary life annuity (see above), the adjustment takes into account interest up until each expected pension payment. This ensures that the pension payout is a known quantity and that it cannot change after the member reaches the state retirement age.

Life annuity with market exposure

The tariff for life annuity with market exposure does not include a rate of interest. Rather, the pension is adjusted to be higher or lower on an ongoing basis in line with the achieved investment return from a portfolio that is linked to market contributions.

You can consider life annuity with market exposure as owning shares in a mutual fund that invests in a well-diversified portfolio that includes equities, bonds, real estate, etc.

When there are 15 years to go until reaching state retirement age, the accrued pension entitlements from the life annuity with market exposure are gradually converted to an ordinary life annuity. In other words, life annuity with market exposure is successively recalculated to an ordinary life annuity so that the pension payouts are a known quantity and cannot change once the member reaches the state retirement age.

General information

The above is general information. Figures are only intended to illustrate ATP's pension product and future returns and interest will deviate from such figures. The size of the guarantee contribution, the distribution between market contributions and interest contributions,

Rolling life annuity.

Figure 1:

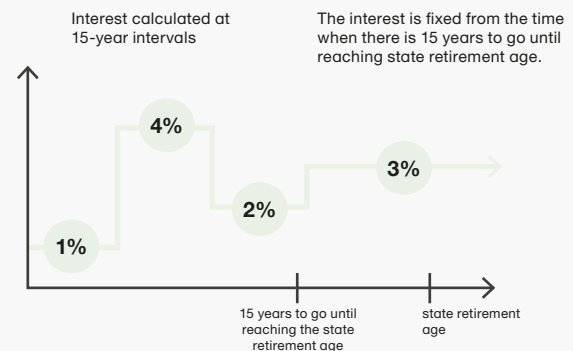
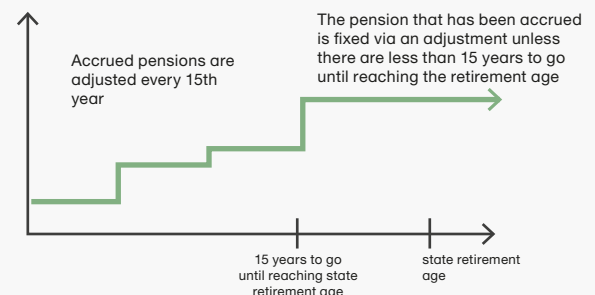


Figure 2:



Life annuity with market exposure

Figure 3:

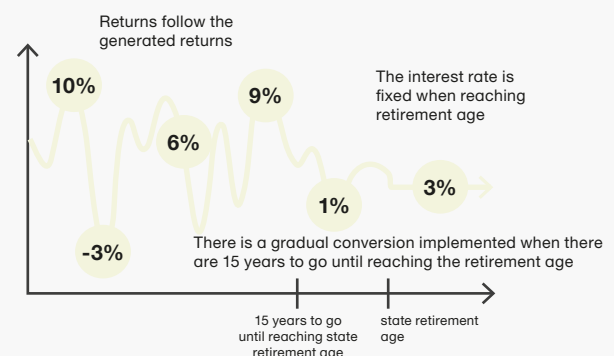
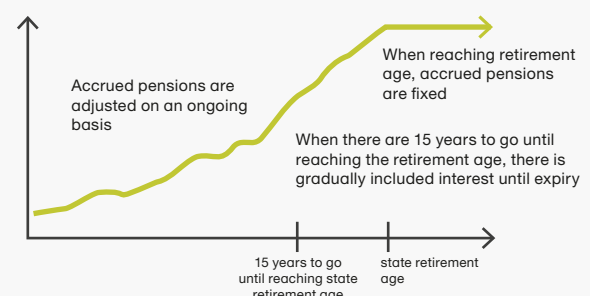


Figure 4:



the length of the rolling life annuity and the length of the conversion period are specified each year by the Danish Minister for Employment based on a recommendation from ATP's Supervisory Board and hence, in the future, may change from what is stated above.

You can read more about the change to ATP's pension product [here](#).



Shortcut

Links

Change to ATP's pension product

<https://www.atp.dk/vores-opgaver/atp-livslang-pension/saadan-fremtidssikrer-vi-atp-livslang-pension>





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www.atp.dk