

Press release

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ATP records profit of DKK 8.5bn before increase in pensions

ATP achieved an investment return of DKK 16.5bn in 2015, equivalent to 17.2 per cent before tax and expenses. Administration expenses were cut by 7 per cent, and pensions were raised for the third year running.

“2015 was a good year for ATP. We generated a healthy investment return, cut our administration expenses and increased pensions for current pensioners,” says ATP CEO Carsten Stendevad.

ATP's profit for 2015 was DKK 8.5bn before the increase in pensions. For the third consecutive year, the Supervisory Board decided to increase benefit payments for the current 974,700 pensioners by 1.5 per cent, and the ATP pension paid out is now 4.5 per cent higher than three years ago.

Investment return driven by equities, real estate and infrastructure

ATP's investment portfolio earned a return of DKK 16.5bn, equivalent to 17.2 per cent before tax and expenses. The return was primarily driven by solid returns in the Equities and Inflation risk classes of DKK 11.4bn and DKK 7.5bn, respectively. Danish equities, in particular, contributed significantly with DKK 7.5bn, corresponding to a return of 48 per cent. Conversely, with a negative return of DKK 1.5bn, Commodities was the largest detractor from returns, due primarily to plunging oil prices. As ATP's investments are hedged against currency fluctuations in Danish kroner and euros, the significant global currency fluctuations in 2015 had no appreciable impact on the return.”

“We are very pleased with our investment return. Our Danish equity portfolio performed exceptionally well, and in addition, our private equity portfolio, our real estate and our infrastructure investments delivered solid returns,” says Carsten Stendevad.

Guarantees protected against interest rate fluctuations

ATP's hedging portfolio aims to ensure the necessary return on the guarantees irrespective of whether interest rates go up or down. Despite significant interest rate fluctuations over the course of the year, the hedging portfolio protected the guaranteed pensions. Overall, hedging activity results were negative by DKK 2.3bn.

Increase in life expectancy

An increase in life expectancy of 2.5 months for women and 3 months for men has been observed for ATP's members in 2015. This increase in life expectancy resulted in ATP's guaranteed benefits increasing by DKK 3.7bn.

New approach to portfolio construction

Over the past couple of years, ATP has made strong efforts to optimise all investment processes and rethink the way ATP composes the investment portfolio. Since 2006, ATP has allocated risk into five risk classes (Equities, Interest Rates, Credit, Inflation and Commodities) with each investment being allocated to one of the five risk classes. In future, ATP will allocate risk into four risk factors: 'Interest rate factor', 'Equity factor', 'Inflation factor' and 'Other factors'. Rather than placing a given asset in a single risk class, all assets are now decomposed into the four risk factors.

“With this new approach to portfolio construction, we are improving our understanding of the underlying risks in our investments as well as securing a portfolio composition that is more robust and flexible,” says ATP CEO Carsten Stendevad.

Low administrative cost for ATP Livslang Pension

Administration expenses for ATP Lifelong Pension were reduced by 7 per cent and are now down to DKK 57 per member per year relative to DKK 68 in 2012.

UDK – Public Benefits Administration achieves targets on time and within budget

2015 was also a good year for ATP's Processing Business, which manages schemes for the Danish government, municipalities and the social partners. The expansion of UDK – Public Benefits Administration progressed satisfactorily, and the target of providing 33 per cent savings over a two-year period was achieved, corresponding to an efficiency enhancement of DKK 300m per year.

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Facts about ATP

ATP is a mandatory savings scheme with almost five million members. At the end of 2015, 974,700 pensioners were receiving ATP Lifelong Pension. ATP paid out DKK 14.6bn in pension benefits. For 50 per cent of all Danish old-age pensioners, ATP Lifelong Pension is their only source of pension income other than their state-funded old-age pension. The full ATP Lifelong Pension for a 65-year-old pensioner is DKK 23,900. Low expenses provide a significant contribution to higher pensions. For 2014, administration expenses for ATP pensions were 0.04 per cent of ATP's average assets, equivalent to DKK 57 per member. Overall direct and indirect investment expenses accounted for 0.19 per cent of average assets, corresponding to DKK 276 per member.