

Press release

8 February 2017

ATP posts investment return of DKK 15.3bn in 2016

In 2016, ATP achieved a return in the investment portfolio of DKK 15.3bn before tax and expenses, corresponding to 15.0 per cent relative to the bonus potential. Net results for the year totalled DKK 9.3bn before life expectancy update, but as members' life expectancy is increasing more than expected, the ATP Supervisory Board decided at the end of H1 to transfer DKK 9.9bn from the bonus potential to the existing guarantees. The annual results thus amount to DKK (0.6)bn.

"2016 was a satisfactory year for ATP – and for our members. It was a turbulent year, but ATP nevertheless managed to produce a good investment return. The results have enabled ATP to further prolong the lifelong pension guarantees, as the life expectancy of the Danish population is increasing more than expected," says ATP CEO Christian Hyldahl.

Private equity and credit investments made particularly positive contributions to the investment return, standing at DKK 6.6bn and DKK 3.8bn, respectively. Real estate, bonds, domestic listed stocks, commodities and infrastructure also contributed positively to the return. With a negative return of DKK 1.2bn, ATP's long-term hedging strategy against inflation increases was the largest detractor from returns.

At the end of the year, ATP's bonus potential, which is managed as part of the investment portfolio, totalled DKK 100.5bn.

Pension guarantees protected by hedging

ATP protects the pension guarantees issued to members by hedging the risk. With hedging, ATP can ensure that members receive the pensions promised, regardless of whether interest rates rise or fall. ATP's hedges served their purpose, as hedging activity results before the yield curve break amounted to DKK (0.1)bn. Total hedging activity results were negative by DKK 4.1 as a result of ATP fixing the interest rate at 3 per cent after the 40-year mark on the discounting curve. A few years ago, ATP reduced its interest rate sensitivity and increased its investment flexibility to improve the ability to generate returns. With the current interest rate level significantly below 3 per cent, this means that funds are transferred from the bonus potential to the guaranteed pensions. This does not affect ATP's aggregate assets.

Due to declines in interest rates in 2016, the value of the guaranteed pensions increased significantly to DKK 659bn, while ATP's liabilities increased correspondingly. Members' total assets now stand at DKK 759bn.

The overall results for 2016 *after* transfer to longer life expectancy were negative by DKK 0.6bn.

ATP has provided DKK 10.6bn for tax on pension savings returns in 2016.

Continued decrease in administration expenses

ATP's administration expenses continued to decrease in 2016, ending at DKK 48 per member per year. This corresponds to a decrease of 17 per cent or DKK 9 per member relative to the prior year. The administration expenses have been reduced by 30 per cent over the past four years. This is due primarily to declining depreciation and amortisation and to ATP reaping the benefits of effective IT support. With the reductions achieved at present, the administration expenses are not expected to fall further over the coming years.

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Facts about ATP

ATP is a mandatory savings scheme with more than five million members. ATP Lifelong Pension is guaranteed and lifelong and is disbursed to nearly all pensioners. For 50 per cent of all old-age pensioners, ATP Lifelong Pension is their only source of pension income other than their state-funded old-age pension. Besides ATP Lifelong Pension, ATP administers key welfare benefits and schemes on behalf of the Danish state, the local authorities in Denmark and the social partners. ATP is the largest administration provider in the Nordic countries, managing two thirds of welfare benefits disbursed in Denmark.