

# Mandatory pension scheme (Obligatorisk Pensionsordning - OP)

## Pension scheme for transfer income recipients

On 1 January 2020 the Mandatory Pension Scheme Act for recipients of various transfer incomes came into force. The purpose of it is to ensure that savings-based pensions are strengthened such that all citizens, including during periods on transfer income, are saving up for their own pension. The contributions are fully financed by funds previously earmarked for the social initiatives fund (Satspuljen) in order that the individual citizen's transfer income is not reduced.

During 2021, 913,000 people have paid into the scheme and at the end of 2021 the scheme covers 1,153,200 members. There is a substantial overlap between OP members and ATP Livslang Pension (Lifelong Pension) members, as 99% of OP members are also members of ATP Livslang Pension (Lifelong Pension). As several areas of transfer income (such as maternity/paternity benefits) see large ongoing fluctuations, there is a high replacement rate of citizens for whom the OP contributions will be payable. Over a 20-year period, it is estimated that OP contributions will be paid for around 3 million people.

For 2021, OP contributions represented 0.6 per cent of the relevant transfer income, equal to total contributions in 2021 of DKK 693 million. Contributions increase annually by 0.3 percentage points until 2030 where total contributions will be 3.3 per cent. By 2029 at the latest, a policy decision has to be made as to whether to increase contributions beyond 3.3 per cent.

The authority paying the benefits to the individual recipient, such as unemployment insurance funds, municipalities, Udbetaling Danmark – Public Benefits Administration and the Ministry of Education and Research, will be responsible for calculating the OP contributions for the individual transfer income recipient and for making correct payment via eIndkomst and payment to ATP.

## Covered by the Mandatory Pension scheme (Obligatorisk pensionsordning – OP)

Unemployment benefit	Education benefit
Maternity/paternity benefits	Flexjob contribution
Early retirement pension	Resource course grant
Holiday benefit (feriedagpenge)	Unemployment benefit for persons accepted onto a subsidised flexible employment scheme (ledighedsydelse)
Early retirement allowance for beneficiaries of the subsidised flexible employment scheme (fleksydelse)	Rehabilitation benefits
Disability pension	State Adult Education Grants
Welfare benefits	Sickness benefits

The Mandatory Pension Scheme (OP) must be managed by ATP such that the scheme is associated with and fully integrated with ATP Livslang Pension (Lifelong Pension). Since most transfer income recipients are already paying or have paid contributions to ATP Livslang Pension (Lifelong Pension), administration expenses can be minimised and kept at a level that will not constitute an erosion of the Mandatory Pension Scheme.

Integration with ATP also means that:

- OP becomes part of the existing common assets with a common investment policy and risk sharing, in which a common bonus policy is applied based on a common bonus potential
- OP is a life annuity paid from the time of state-funded old-age pension age and for the remainder of life. Payment times, capitalisation and deferment regulations will be the same across ATP, SUPP and OP
- OP contributions earn the right to payment of benefits on death together with rights earned via ATP contributions.

### OP members, end of 2021

Members over the retirement age for the state-funded old-age pension	37,000
Members below the retirement age for the state-funded old-age pension	1,116,300
Total number of members	1,153,200
New OP members in 2021	198,100

### Payments and contributions in 2021

Payments	Number of	DKKm
Current pensions	35,500	1
Lump-sum benefits	500	1
Total payments		1
<b>Contributions</b>		
Members with contributions in 2021	913,000	
OP contributions		693