

# IOPS COUNTRY PROFILE: DENMARK



## DEMOGRAPHICS AND MACROECONOMICS

GDP per capita (USD)	36 700
Population (000 000 s)	5 529
Labour force (000s)	2 820
Employment rate	95.8
Population over 65 (%)	17.1
Dependency ratio <sup>1</sup>	33

Data from 2010 or latest available year.

1. Ratio of over 65-year-olds / labour force.

Source: OECD, various sources.

## DENMARK: COUNTRY PENSION DESIGN

### STRUCTURE OF THE PENSION SYSTEM

#### Public pensions

- Basic scheme with an income-tested supplement for low-income pensioners.

#### Private pensions: occupational (mandatory)

- Company pension fund
- Public sector pension fund
- General pension funds
- Specialized life insurance companies
- Pension funds held in life insurance companies
- Supplementary earnings related pension scheme (ATP)
- Special pension savings scheme (SP)
- Public sector employee capital pension fund (LD pensions)

#### Private pensions: personal (voluntary)

- Personal funds held in banks.

Source: OECD Global Pension Statistic

## DENMARK: PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007
<b>Assets</b>							
Total investments (National currency millions)	1,282,842	1,496,936	1,644,308	1,843,244	2,149,951	2,287,475	2,385,164
Total investments, as a % of GDP	96.05	109.05	117.39	125.72	138.87	139.35	140.61
Of which Assets overseas, as a % of Total investment:							
• Issued by entities located abroad	28.10	20.94	22.35	22.49	25.35	23.86	23.63
• Issued in foreign currencies	11.07	ND	ND	ND	ND	ND	ND
<b>By financing vehicle (as a % of Total investments)</b>							
• Pension funds	28.31	23.85	24.26	24.47	24.27	23.27	23.02
• Book reserves	NA	NA	NA	NA	NA	NA	NA
• Pension insurance contracts	71.69	62.89	62.66	62.28	62.06	61.76	61.48
• Other financing vehicle	ND	13.26	13.08	13.25	13.67	14.97	15.50
<b>By pension plan type</b>							
• Occupational assets	1,282,842	1,298,498	1,429,164	1,598,940	1,856,050	1,945,051	2,015,416
• % of DB assets	3.03	2.86	2.67	2.46	2.29	2.21	2.14
• % of DC (protected and unprotected) assets	96.97	97.14	97.33	97.54	97.71	97.79	97.86
• Personal assets	ND	198,438	215,144	244,304	293,900	342,424	369,748
<b>Structure of Assets (as a % of Total investments)</b>							
Cash and Deposits	0.89	1.18	0.96	1.20	0.84	0.79	0.75
Fixed Income	53.94	64.20	63.03	56.48	52.31	50.00	48.14
Of which:							
• Bills and Bonds issued by the public and private sector	53.27	63.84	62.55	56.10	51.90	49.65	47.90
• Loans	0.67	0.37	0.47	0.38	0.41	0.35	0.24
Shares	31.12	18.97	20.12	18.33	24.93	28.35	29.37
Land and Buildings	3.15	3.39	2.62	2.33	2.17	2.40	2.20
Other Investments	10.90	12.26	13.27	21.66	19.75	18.47	19.54
<b>Contributions and Benefits</b>							
Total Contributions, as a % of GDP	5.60	5.82	6.16	5.63	5.69	5.96	6.28
• Employer Contributions, as a % of Total contributions	22.73	ND	66.67	66.20	66.29	66.39	66.24
• Employee Contributions, as a % of Total contributions	11.44	ND	33.33	33.80	33.71	33.61	33.76
Total Benefits, as a % of GDP	3.32	3.64	3.70	3.78	3.82	4.25	3.74
• % of benefits paid as a Lump sum	44.82	48.54	40.02	39.46	43.78	48.37	50.15
• % of benefits paid as a Pension	55.18	51.46	59.98	60.54	56.22	51.63	49.85
<b>Membership (in thousands of persons)<sup>1</sup></b>							
Total membership	3,798	4,045	4,045	4,163	4,393	4,247	4,439
• % of Active membership	ND	ND	ND	ND	ND	ND	ND
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	ND	ND	ND	ND	ND	ND	ND
Other beneficiaries	ND	ND	ND	ND	ND	ND	ND
<b>Number of Pension Funds/Plans</b>							
Total number of funds	ND	ND	ND	ND	ND	ND	ND
Total number of plans	ND	ND	ND	ND	ND	ND	ND

Note: Assets data refer to pension funds, pension insurance contracts and bank managed funds, while structure of assets, contributions, benefits, and membership data refer only to pension funds and pension insurance contracts.

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

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## DENMARK: THE PENSION SYSTEM'S KEY CHARACTERISTICS

### PUBLIC PENSION

Three conditions are to be fulfilled if the universal means-tested basic pension is to be awarded. First one has to have Danish citizenship, secondly one has to have permanent residence in Denmark and thirdly the residency in Denmark must be longer than three years from the person's age of 15 to 65. Several exceptions to these three conditions exist. One exception is about Danish citizenship. Foreign nationals are also covered, as long as they live in Denmark for at least 10 years, of which the last five years are immediately before the pensionable age (i.e. 65).

The total cost is covered by the government. The full benefit is DKK 122.748 a year for a single for 40 years of contribution and DKK 91.608 per person in marriage. If the contribution period is less than 40 years, the benefit is reduced accordingly. The full benefit is composed of three separate means-tested benefits. The annual basic amount for a single is DKK 58.032 and is reduced only if labour income is received as pensioner. The so-called pensioners supplement is DKK 58.416 a year and is subject to reduction based on own labour income, capital income, spouse income etc. Finally a supplementary pension benefit (i.e. annual DKK 6,300 in 2006) was introduced in 2004. This supplementary pension benefit is also means-tested and mainly targeted to the poorest pensioners. In addition to pension benefit pensioners may receive other social benefits such as housing allowance etc.

### OCCUPATIONAL MANDATORY

#### *Coverage*

Participation in ATP and SP is mandatory for most employees aged 16 to 65. In 2006, 85.5% of the population aged 16 to 65 and 98% of over-50s were contributing to the ATP.

#### *Contributions*

One-third of ATP contributions are paid by the employee and two-thirds by the employer. The former pays up to DKK 976 per annum, while the latter contributes a yearly maximum of DKK 1 951, depending on employment sector, working hours, and type of contribution. Altogether, contributions represent 1% of wages, but only employees contribute their 1% of earnings to the SP scheme.

#### *Benefits*

Benefits from the ATP plan are paid in annuities or, if the balance of a retirement account is small, as a lump sum. Early and deferred pensions are allowed, although they are subject to benefit adjustments.

Benefits from the SP plan are paid as a lump sum if the balance is less than DKK 15 000, or in programmed withdrawals if it exceeds DKK 15 000.

#### *Taxation*

Contributions by both employee and employer to the ATP and SP schemes are tax-deductible, while pension payments are considered taxable income.

## OCCUPATIONAL QUASI MANDATORY

### *Coverage*

The quasi-mandatory occupational pension pillar is chiefly funded by employees paying into a supplementary scheme. Technically, they do so on a voluntary basis. In reality, however, collective bargaining agreements have made participation practically mandatory for both employers and employees, and in 2006 supplementary pension plans covered 76% of the working population.

### *Typical Plan Design*

Typical contribution rates are 9% for blue-collar workers, 15% for white-collar workers, and 12% for public-sector employees. In the private sector employees pay one-third of contributions and employers two-thirds. The government bears full contribution costs for public sector employees.

The usual retirement age in Denmark is 65, with retirees receiving benefits as annuities and/or lump sums.

### *Taxation*

Neither employee nor employer contributions are taxable, while capital gains and pension payments are considered taxable income.

## MARKET INFORMATION

### *Occupational mandatory*

By 2007 mandatory pension funds (*i.e.* ATP, SP, and public-sector employee pension fund LD) were managing accumulated assets of DKK 505.8 billion (USD 99.9 billion). In 2006, ATP and SP plans covered around 2.5 million workers.

### *Occupational quasi-mandatory*

In 2007 quasi-mandatory pension schemes had accumulated assets of DKK 1 879.1 billion (USD 371.0 billion). In 2006, around 2.1 million participants were enrolled in quasi-mandatory pension schemes.

## POTENTIAL REFORM

Denmark lost a trial at the European Court of Justice regarding tax exemption on pension premiums. In Denmark only pension premiums paid to insurers based in Denmark are allowed tax exemption. Also a main characteristic of the Danish pension system is a tax deduction on of premiums when paid to the pension scheme and taxation upon paid out benefits. Previously the law permitted pensioners living in Spain and France to pay taxes on paid out benefits outside Denmark. As the tax rate is lower in Spain and France compared to Denmark those pensioners have had significant tax benefits. A proposed tax bill deals with these problems but has been postponed until spring 2008 due to election for parliament late 2007.

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## REFERENCE INFORMATION

### KEY LEGISLATION

#### 2007

- Capital Requirement (Consolidation) Act
- (Consolidation) Act on Solvency and Insurance Company Operating Plans
- Good Practices in Financial Institutions (Consolidation) Act
- (Consolidation) Act relative to the transfer of insured moneys undertaken by Danish insurance companies or by branches thereof under the freedom to provide services.

#### 2006

- Insurance Contract Information (Consolidation) Act
- (Consolidation) Act on Life Insurance Technical Constitution Reporting
- The Principle of Contribution (Consolidation) Act
- Asset Registration (Consolidation) Act.

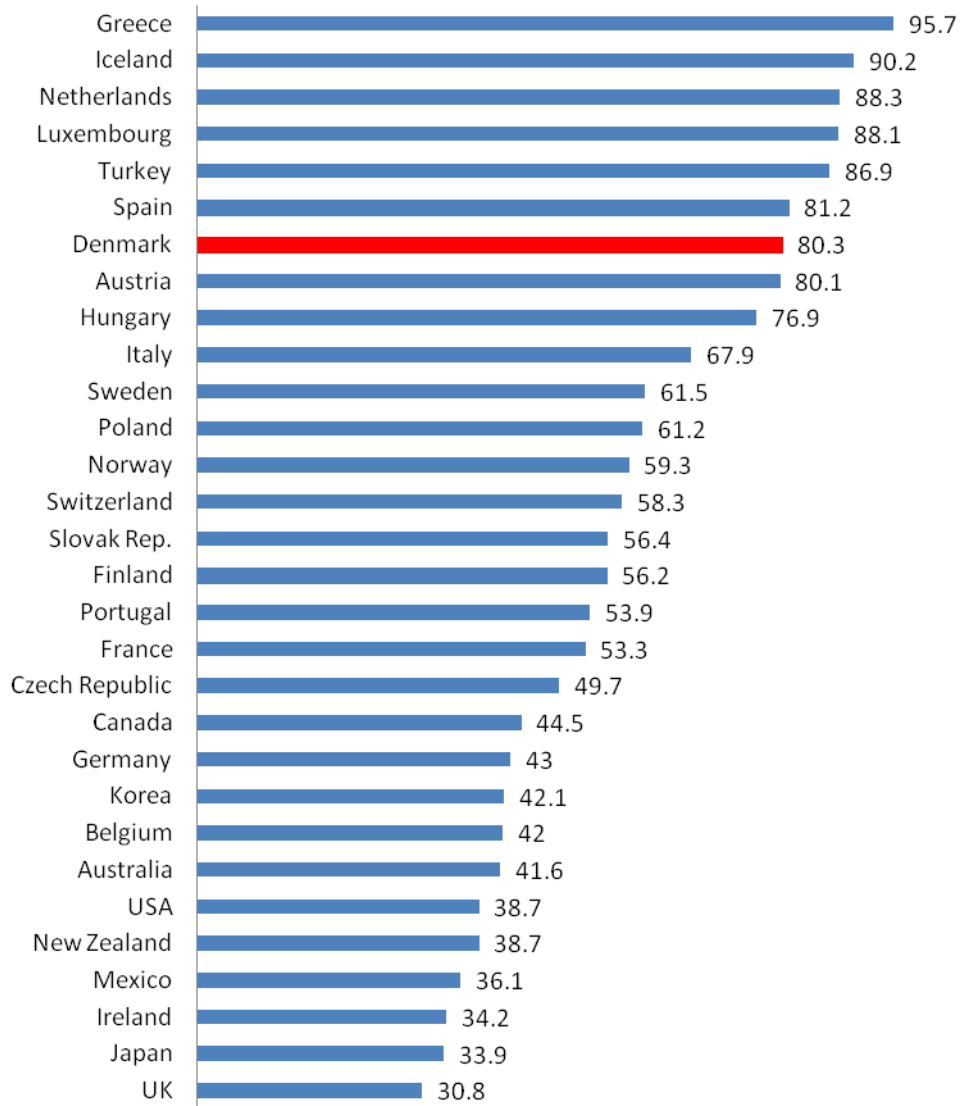
### KEY REGULATORY AND SUPERVISORY AUTHORITIES

- Ministry of Welfare: <http://eng.social.dk/>
- The Danish Labour Market Supplementary Pension Fund (ATP):  
[www.atp.dk/X5/wps/wcm/connect/atp/atp.dk](http://www.atp.dk/X5/wps/wcm/connect/atp/atp.dk)
- Danish Insurance Association:  
[www.forsikringogpension.dk/english/Sider/Danish\\_Insurance\\_Association.aspx](http://www.forsikringogpension.dk/english/Sider/Danish_Insurance_Association.aspx)
- Danish Financial Authority: [www.ftnet.dk/sw1252.asp](http://www.ftnet.dk/sw1252.asp).

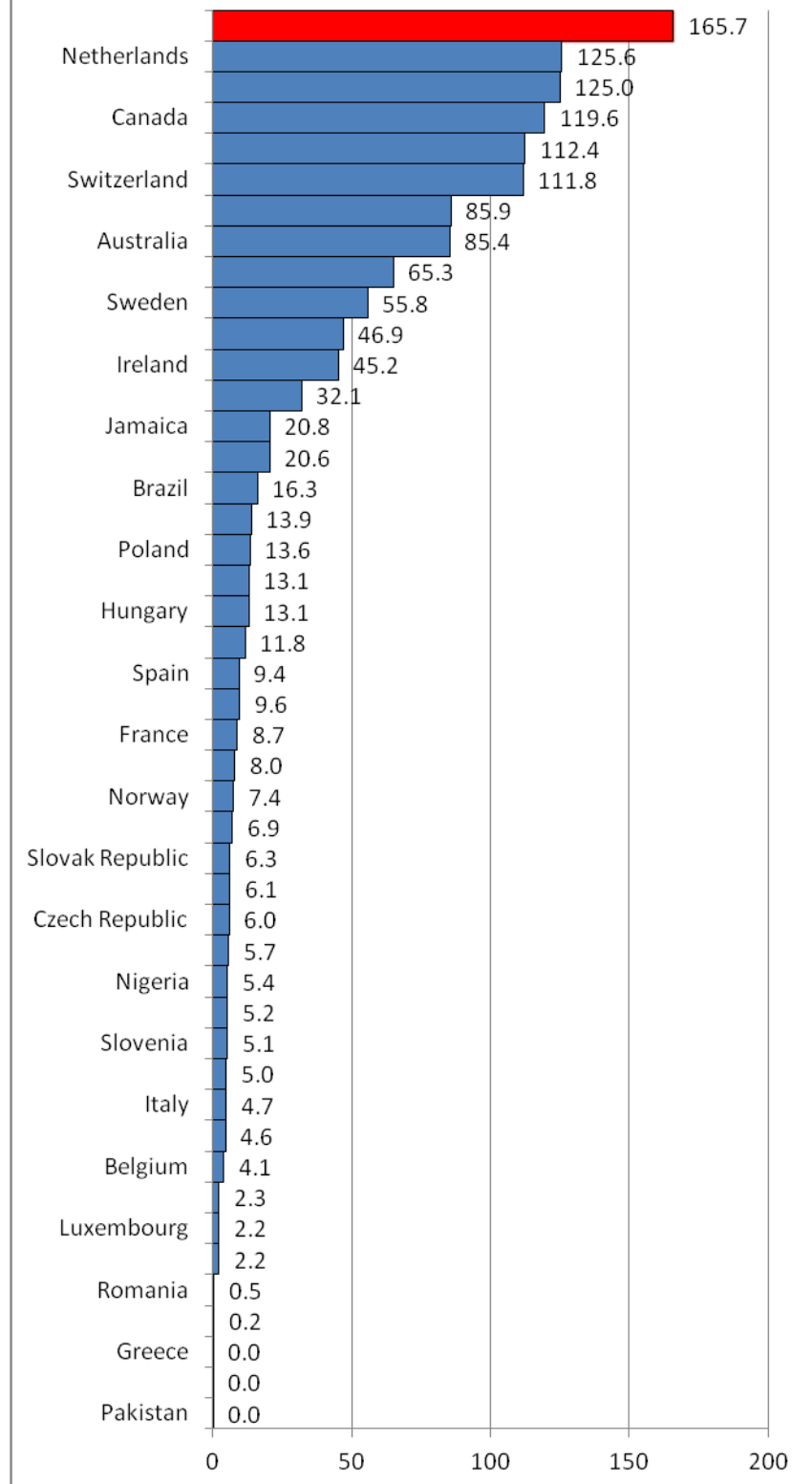
### KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

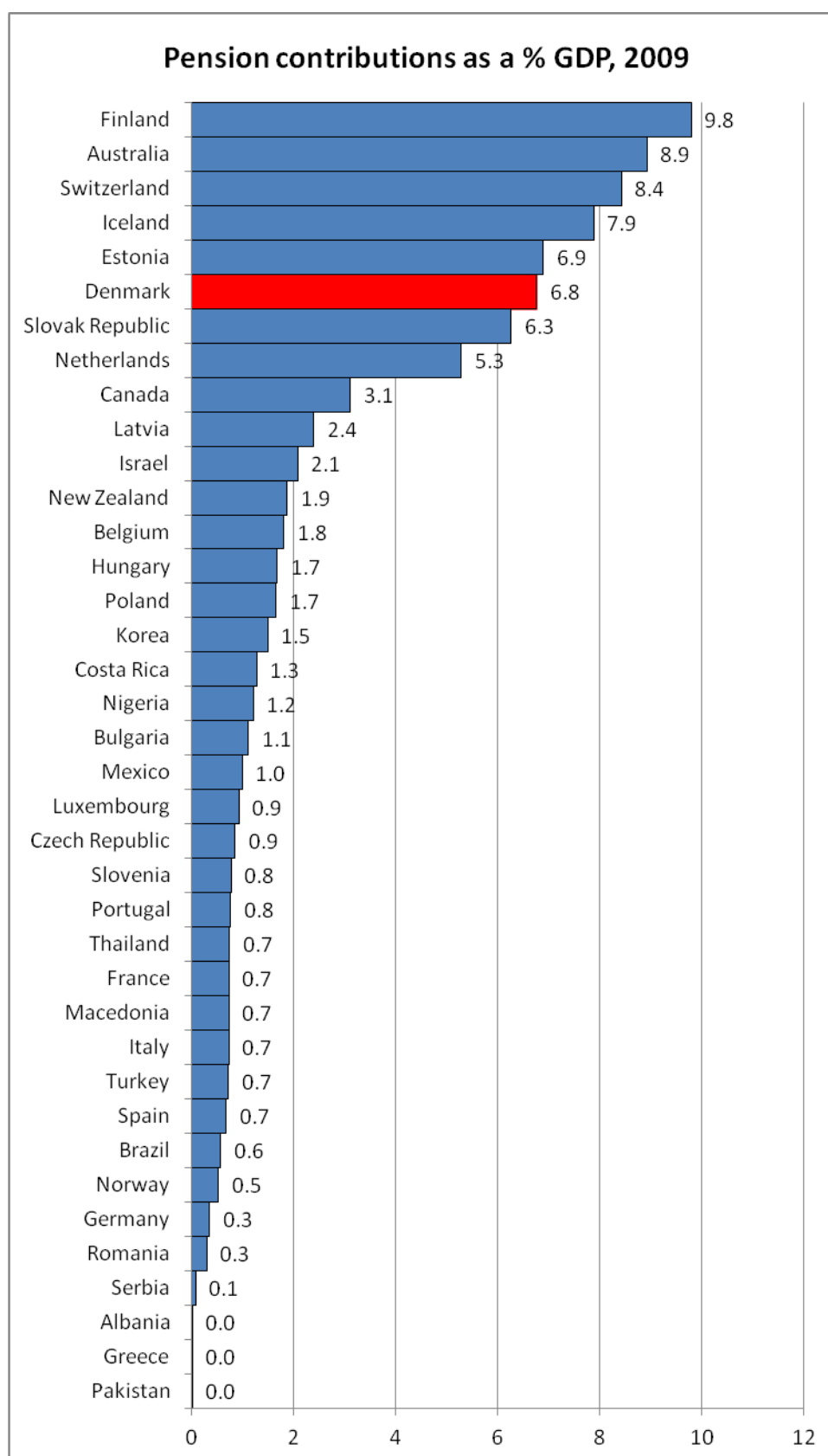
- Finanstilsynet, or Danish Financial Authority, (2008), *Key Figures 2003-2007 for Financial Undertakings under Supervision*,  
[www.dfsa.dk/graphics/finansstilsynet/mediafiles/newdoc/statistik/8/KeyFigures2003-2007.pdf](http://www.dfsa.dk/graphics/finansstilsynet/mediafiles/newdoc/statistik/8/KeyFigures2003-2007.pdf).
- OECD, Global Pension Statistics project, [www.oecd.org/daf/pensions/gps](http://www.oecd.org/daf/pensions/gps).

## OECD Est. Gross Replacement Rate Mandatory Pensions, Average Earner 2009



## Pension Fund Assets as a % GDP 2009





## Pension Benefits as a % GDP, 2009

