



# Annual report 2017

# 25 years with labour market pensions



PensionDanmark was named Best European Pension Fund for the third time in 2017

Despite the political uncertainty in the aftermath of Brexit and the 2016 US presidential election, 2017 was a year of global economic recovery and growth. Supported by persistently low interest rates, it drove a financial market upturn that produced strong investment returns again in 2017.

The growth witnessed throughout 2017 led to increasing number of employees in the companies that have pension schemes with PensionDanmark, thus taking contributions to DKK 13.6 billion, a new historical high. Boosted further by good investment returns of DKK 16.6 billion, total assets grew from DKK 221.5 billion to DKK 233.2 billion.

Our robust investment policy resumed the achievements of the past few years. In areas as diverse as shipping, infrastructure and mortgage credit, the policy has supported innovation and renewal through

new partnerships, and it has maintained a high level of investments in sustainable real estate and renewable energy.

PensionDanmark's customer service strategy delivered new results. We implemented new robots and self-service tools that are freeing up time for our advisers to engage in dialogue with our members. The digital innovation gives our members a clear and easy overview of their pension schemes and easy access to our self-service solutions – and helped us win the award for Best European Pension Fund for the third time. The solutions do not only ensure better services for our members, they also help us retain our position as Denmark's most cost-efficient pension provider which is one of our goals.

In 2018, we celebrate the first 25 years of labour market occupational pensions in Denmark, the great-

est welfare reform of our generation. Through the occupational pensions, the social partners have ensured all workers a financially secure retirement. The Danish pension system is not only robust and sustainable, but also unique by international standards as it combines tax-funded old age pension for everyone with savings-based occupational pensions for all wage earners. This is ample justification for Mercer ranking the Danish system the best on its list of the 30 top pension systems in the world for the sixth straight year.

We need to take good care of our unique system. I am therefore pleased that the recent agreements between the Danish government and the Danish People's Party on retirement savings and taxation will bring us closer to solving the challenges of high com-

pound taxation of pension savings – the so-called interplay issue. And I am particularly pleased to note that the new rules will provide the best incentives to save for retirement for those who are less than 15 years away from reaching retirement age. It will help future-proof the strong Danish pension model.



Torben Möger Pedersen  
CEO, PensionDanmark



# Financial highlights and overview

Satisfactory performances in all business areas made 2017 a good year. From the perspective of PensionDanmark's members, 2017 was characterised by growing pension contributions, strong returns on investments and low costs.

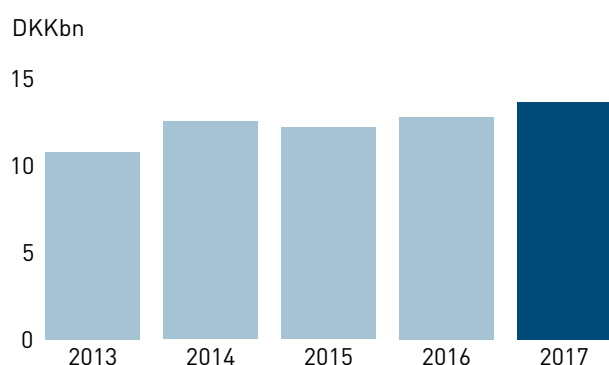
- > The growth in the Danish economy created additional jobs in the companies whose employees have pension schemes with PensionDanmark. Now we have more than 713,000 members.
- > Pension contributions reached DKK 13.6 billion – a historical high.
- > Pension and insurance benefits for our members amounted to DKK 7.8 billion
- > Total return on investments was DKK 16.6 billion – the highest ever, 6.9% for 65-year-old members to 9.9% for 40-year-old members.
- > Efficient insurance administration and digitalisation of all processes keep administrative expenses at a low level.
- > High customer satisfaction. Processing times have been reduced even further.
- > PensionDanmark is well-consolidated with an equity of DKK 4.2 billion.



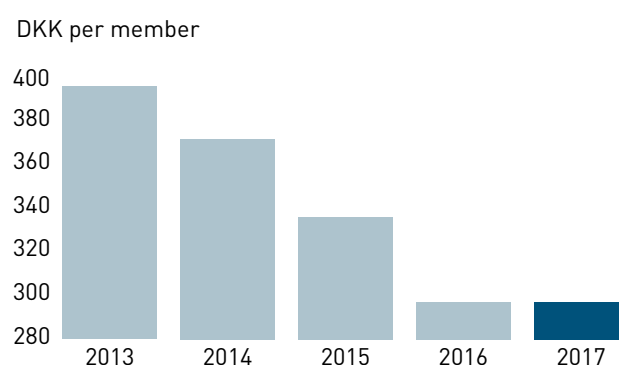
## Key figures and financial ratios

	2017	2016
Contributions, DKKbn	13.6	12.8
Return on investment before tax, DKKbn	16.6	13.0
Benefits paid, DKKbn	7.8	6.9
Total assets, DKKbn	233.2	221.5
Costs in DKK per member	298	289
Number of members, year-end	713,000	695,000

## Contributions

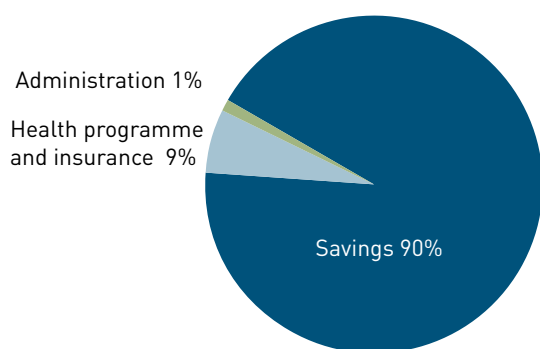


## Annual administrative expenses

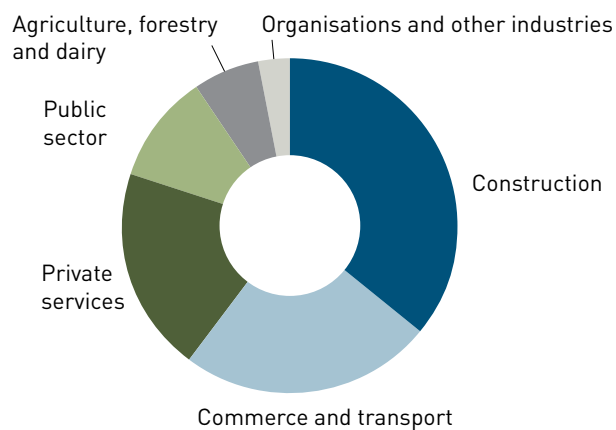




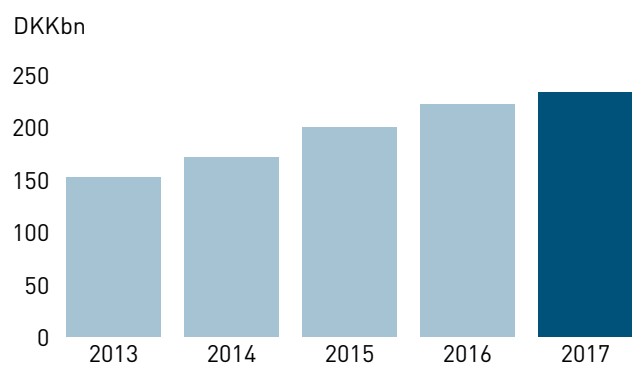
### Allocation of contributions



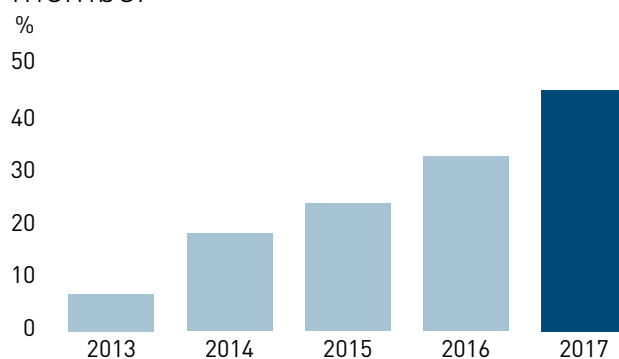
### Members broken down by industry



### Total assets



### Accumulated return, 50-year-old member





All photos: Ursula Bach

# Statement of income and comprehensive income

Note	DKKm	2017	2016
2	Contributions	13,595	12,758
	<b>Total contributions net of reinsurance</b>	<b>13,595</b>	<b>12,758</b>
	Income from affiliated companies	2,269	1,564
	Income from associated companies	731	817
	Interest, dividends, etc.	6,479	6,321
3	Value adjustments	7,650	4,665
	Interest expenses	-32	-16
4	Administrative expenses related to investment activities	-450	-374
	<b>Total investment return</b>	<b>16,647</b>	<b>12,977</b>
5	<b>Tax on pension investment returns</b>	<b>-2,283</b>	<b>-2,019</b>
	<b>Investment return after tax on pension investment returns</b>	<b>14,364</b>	<b>10,958</b>
6	Benefits paid	-7,845	-6,888
	<b>Total insurance benefits net of reinsurance</b>	<b>-7,845</b>	<b>-6,888</b>
10,11,12	Change in life insurance provisions	-19,461	-16,391
	<b>Total change in life insurance provisions net of reinsurance</b>	<b>-19,461</b>	<b>-16,391</b>
4	<b>Total insurance operating expenses net of reinsurance</b>	<b>-229</b>	<b>-218</b>
	<b>Transferred return on investments</b>	<b>-426</b>	<b>-215</b>
	<b>TECHNICAL RESULT</b>	<b>-3</b>	<b>4</b>
	<b>Investment return on equity</b>	<b>283</b>	<b>320</b>
	<b>Other income</b>	<b>35</b>	<b>31</b>
	<b>Other expenses</b>	<b>-35</b>	<b>-31</b>
	<b>PROFIT/LOSS BEFORE TAX</b>	<b>279</b>	<b>323</b>
	<b>Tax</b>	<b>143</b>	<b>-104</b>
7	<b>PROFIT/LOSS FOR THE YEAR</b>	<b>423</b>	<b>219</b>
	<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>423</b>	<b>219</b>

## Balance sheet

Note	DKKm	2017	2016
	<b>ASSETS</b>		
	<b>INTANGIBLE ASSETS</b>	<b>76</b>	<b>57</b>
	Equipment	2	2
	<b>TANGIBLE ASSETS</b>	<b>2</b>	<b>2</b>
	Investments in affiliated companies	894	899
	Loans to affiliated companies	117	151
	Investments in associated companies	288	403
	<b>Total investments in affiliated and associated companies</b>	<b>1,300</b>	<b>1,454</b>
	Equity investments	1,698	1,690
	Mutual fund investment	190	130
	Bonds	7,898	7,950
	Other loans	833	897
	Derivative financial instruments	446	573
	Other	51	12
	<b>Total other financial investment assets</b>	<b>11,116</b>	<b>11,252</b>
	<b>TOTAL INVESTMENT ASSETS</b>	<b>12,416</b>	<b>12,706</b>
8	<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS</b>	<b>212,982</b>	<b>198,915</b>
	Receivables from policyholders	946	865
	<b>Total receivables related to direct insurance contracts</b>	<b>946</b>	<b>865</b>
	Receivables from affiliated companies	10	13
	Other receivables	2,826	5,197
	<b>TOTAL RECEIVABLES</b>	<b>3,782</b>	<b>6,075</b>
	Deferred tax assets	21	81
	Cash	3,608	3,423
	<b>TOTAL OTHER ASSETS</b>	<b>3,629</b>	<b>3,504</b>
	Other prepayments	288	282
	<b>TOTAL PREPAYMENTS</b>	<b>288</b>	<b>282</b>
	<b>TOTAL ASSETS</b>	<b>233,174</b>	<b>221,539</b>



Note	DKKm	2017	2016
<b>EQUITY AND LIABILITIES</b>			
9	<b>Share capital</b>	<b>8</b>	<b>8</b>
	<b>Retained earnings</b>	<b>4,149</b>	<b>3,726</b>
	<b>TOTAL EQUITY</b>	<b>4,156</b>	<b>3,733</b>
10	Group life bonus provision	3,427	3,072
11	Life insurance provisions, average interest rate products	4,699	5,010
12	Life insurance provisions, unit-linked contracts	204,314	184,897
	<b>Life insurance provisions</b>	<b>212,440</b>	<b>192,979</b>
	<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>212,440</b>	<b>192,979</b>
	<b>Payables to credit institutions</b>	<b>8,823</b>	<b>12,250</b>
	<b>Payables to affiliated companies</b>	<b>1,948</b>	<b>1,470</b>
5	<b>Current tax liabilities</b>	<b>2,298</b>	<b>1,827</b>
	<b>Other payables</b>	<b>3,507</b>	<b>9,279</b>
	<b>TOTAL LIABILITIES</b>	<b>16,576</b>	<b>24,827</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>233,174</b>	<b>221,539</b>

13	Registered assets
14	Collateral and contingent liabilities
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