



Annual Report 2011

Extract

PensionDanmark A/S

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PensionDanmark

Summary

Increase in contributing members despite subdued markets

At the end of 2011, PensionDanmark had 351,000 active contributing members over the preceding 12 months. Over and above this, 7,500 apprentices have been given an insurance package at PensionDanmark as a result of the 2010 collective bargaining agreements.

The number of active members was favourably affected by amendments to the seniority rules within the private cleaning and hotel and restaurant segments that were carried in connection with the collective bargaining agreements in 2010 that took effect in 2011. These segments alone increased the number of members with pension contributions by over 5,000.

The number of those with regular retirement and disability pension disbursements increased by 4,400 to 32,900. Just over 21,500 received retirement pensions at the end of 2011, compared to 17,000 at the end of 2010.

At the end of 2011, PensionDanmark had 618,000 members.

Relatively high growth in regular disbursements

Total contributions in 2011 were at DKK 10.5 billion, which was an increase of 0.9 % compared with 2010. The increase covers growth in regular pension contributions and a drop in inbound transfers.

2011 saw a total of DKK 9.6 billion in regular pension contributions – and increase of 3.6 % on the previous year. The increase was primarily due to an increase in the number of contributing members compared with 2010, and to a lesser degree growth in the average pension contributions per member.

Transfers from other pension funds in connection with job changes totalled DKK 0.9 billion in 2011.

Yield from 8.2 to 11.7 depending on age

Despite the market's difficult economic conditions and the major uncertainties on the financial markets, PensionDanmark's members received a good return on their savings. In 2011 the pre-tax yield was between 8.2 % (members under 41) and up to 11.7 % (members at 65). The total investment yield for PensionDanmark was at DKK 10.5 billion.

Interest accrual at 45.5 % after tax for 2007 to 2011

Member deposits are continually regulated to include the yield on their savings. In 2011 a typical member thus received a return on their savings of 8.2 % after tax. Over a five year period from 2007 to 2011 members have received an attractive 45.5 % return on their savings for a lifelong pension after tax.

Increase in disbursements of 10 %

Disbursements of retirement and disability pensions and the suchlike were at DKK 1.9 billion, which was 10 % higher than in 2010 – primarily as a result of increased disbursement on retirement pensions, of which there was an increase of 20 %.

In 2011, 8,500 of PensionDanmark's members received retirement pensions. Of these, over 3,600 members received their entire savings as a one-off payment, while 4,900 receive a monthly disbursement from PensionDanmark for the rest of their lives. 2011 was the first year in which the disbursement of regular payments for retirement pensions exceeded disbursements of a one-off payment in connection with retirement pensions.

Administration costs remain low

In 2011, PensionDanmark maintained its position as the most cost effective pension fund in the country. Administration costs in 2011 were at DKK 352 per member compared to DKK 362 per member in 2010. The ratio of costs to contributions was at 2.2 %. Measured in relation to total member savings, costs were at 0.22 %.

Balance over DKK 120 billion

Member deposits at the end of 2011 were at just under DKK 122 billion – an increase of 15 % compared with the end of 2010.

A combination of increased contributions and high returns have provided major growth in member deposits. At the end of 2011, average savings for a contributing member were at DKK 254,000. Members who have been fully employed since 1993 had deposits of over DKK 500,000.

Cooperation with patient associations and focus on prophylactics

In 2011, 2,300 members received disbursements from PensionDanmark in connection with a critical illness. Cooperation with the National Board of Health to coordinate with the National Patient Register (Landpatientsregister) in identifying members with a critical illness was established in 2009. It is estimated that the number of disbursements has increased by some 10 % compared to the period prior to the cooperation agreement.

Since 2009, PensionDanmark has offered ill members advice and guidance in the relevant patient association. PensionDanmark's efforts in connection with this effort was rewarded with the Hjernesagens Ærespris prize.

In 2011, 1,250 members were awarded supplemental disability pensions by PensionDanmark in connection with the award of a state disability pension. Injuries to the musculoskeletal system account for more than 40 % of disability pensions among PensionDanmark's members.

The majority of collective bargaining segments with their pension arrangements with PensionDanmark have chosen to let their members be covered by the offers provided under the PensionDanmark health scheme. The scheme seeks to prevent musculoskeletal injury and in 2011, some 144,000 treatments of almost 16,000 members have taken place.

Continued focus on digitalization

Efforts to ensure a high level of accessibility, short processing times and to move communication from letters and telephone calls to electronic platforms continued in 2011.

PensionDanmark reduced the number of letters sent out by 20 % in 2011, compared with 2010. A total of 1.2 million letters were sent to members and companies in 2011.

At the same time, the number of visits and logins at pension.dk continued to rise. In 2011, the site had an average of 65,000 visits per month and just over 24,000 members logged into their own information each month.

A greater level of self-service on the website means that the number of telephone calls from members, despite the increase in the number of members, remained at the same level as in 2010.

Record investment in the Anholt Wind Turbine Park

PensionDanmark continued to develop its infrastructure investments in 2011 with, among others, the acquisition of 30 % of the Anholt Offshore Wind Turbine Park for DKK 3.8 billion. The investment in the Anholt Wind Turbine Park comes following PensionDanmark's acquisition of 50 % of the Nysted Offshore Wind Turbine Park in 2010.

Against the backdrop of its investment in the Anholt Offshore Wind Turbine Park, PensionDanmark was awarded the title of best European investor in property and infrastructure at the IP Real Estate Investor Forum & Awards 2011. At the same time, PensionDanmark won the following categories; Best Sustainable Investment, Best Innovative Investment, Best Major European Investor and Best Nordic Investor.

EKF cooperation ensures billions in export growth

EKF, the Danish export credit fund, and PensionDanmark entered into an agreement in October 2011 to make DKK 10 billion available to finance Danish export orders. This made loans available for foreign companies wishing to purchase goods from Danish companies. Loans are made available in cooperation with EKF, which guarantees repayment to PensionDanmark. This secures a yield on investment that is considerably above the bond rate.

Considerable increase in real estate investment

Expansion of the real estate portfolio continued in 2011. Among other investments, PensionDanmark in collaboration with ATP and By og Havn acquired the 45,000 m² FN Byen (UN City) at Marmormolen in Copenhagen and the building rights for a total of 58,000 m² for two office towers at Marmormolen and Langelinie. Housing projects were also begun in Århus, Vejle and Ørestad and investments were made in business properties in Buddinge, Søborg and Nykøbing.

Continued expansion of Africa investment

In 2011, PensionDanmark continued developing its investments in Africa. This was in part in the form of an investment undertaking of DK320 million for the Silverland Fund, which invests in agricultural production in Tanzania, Zambia, Malawi, Uganda and Mozambique; and partially with an investment undertaking of DKK 52 million in DI Frontier Market Energy and Carbon Fund, which invests in sustainable energy in sub-Saharan countries.

Program for responsible investment

In 2008, PensionDanmark became a signatory to the United Nations Principles for Responsible Investment. This means that PensionDanmark has committed itself to operate as a committed and responsible investor. Through its external cooperating partner Foreign & Colonial (F&C), PensionDanmark has been in dialogue with more than 600 companies in 2011 in which PensionDanmark is an asset holder. The dialogue has resulted in some 275 concrete improvements in the companies' behaviour.

In 2011, PensionDanmark voted at 1,600 AGMs. In 86 % of the cases, votes were in favour of Board recommendations, while in 14 % of cases, votes were against.

Ready for new solvency regulations from 2014

The upcoming EU-wide rules on the basis capital and risk management of pension funds (Solvency II) takes effect in 2014. This means that the actual risk taken in the future must be mirrored more directly in solvency requirements.

PensionDanmark's total individual solvency requirement at Dec. 31, 2011 has been calculated at DKK 1.6 billion. With a basis capital of DKK 3.7 billion, PensionDanmark is extremely well consolidated and covered with an excess of DKK 2.1 billion.

Close cooperation with collective bargaining partners, shop stewards and companies

In 2011, PensionDanmark held over 1,300 meetings on pension arrangements with companies, unions, and employer organisations. The meetings make sure there is a high level of information about the pension scheme among PensionDanmark stakeholders. This is supported by mention of the pension scheme in the media of the various organisations.

At the SALA/LO collective bargaining negotiations in the spring of 2011, agreement was reached on several improvements to the pension rules. For the majority of agreements, pension contributions were increased to 12.99 %.

There were also collective bargaining negotiations for public servants in the spring of 2011. Several of the agreements between Local Government Denmark and the 3F union raised pension contributions from 12.55 % to 12.75 % as of Jan. 1, 2012.

The majority of PensionDanmark's members are to be found in the DA/LO segment which is to negotiate agreements in the spring of 2012.

Key figures

Million DKK	2011	2010	2009	2008	2007
Premiums	10,465	10,369	10,309	10,215	9,479
Insurance payments	-3,207	-2,486	-2,533	-2,119	-2,096
Investment yield	10,484	10,175	10,454	-8,661	1,413
Total insurance operating expenses	-234	-233	-222	-204	-192
Insurance technical result	256	139	-1,526	-184	42
Annual profit/loss	562	386	-1,168	-628	149
Total provisions for investment and insurance contracts	116,591	101,160	85,204	67,590	66,092
Total equity	3,696	3,173	2,787	3,955	4,584
Total assets	121,854	105,925	88,343	71,946	70,763
The company's projected solvency requirements	637	635	624	1,311	1,163
Capital base	3,696	3,173	2,787	5,327	5,763
Number of members at the end of the year	617,784	595,104	577,501	564,350	544,285

Key ratios

	2011	2010	2009	2008	2007
Return ratios, unit-linked contracts					
Return before pension yield tax, %					
- Annuities, under age 41 ¹	8.2	12.9	14.2	-11.5	2.6
- Annuities, age 50 ¹	9.6	11.9	14.2	-11.5	2.6
- Annuities, age 60 ¹	11.0	11.0	14.2	-11.5	2.6
- Annuities, age 70 ¹	9.7	9.8	14.2	-11.5	2.6
Return ratios, average interest rate products					
Return before pension yield tax, % ²	13.3	8.7	10.5	-11.5	2.6
- Equity, %	9.9	9.7	14.2	-11.5	2.6
Return after pension yield tax, % ²	11.5	7.5	8.9	-9.8	2.3
Expense and profit/loss ratios					
Expense percentage of premiums	2.2	2.2	2.1	2.0	2.0
Expense percentage of provisions	0.22	0.25	0.29	0.32	0.34
Expenses in DKK per insured	352	362	354	336	335
Expense result, %	0.01	0.01	0.00	0.02	-0.03
Insurance risk income, %	0.00	0.01	0.02	0.03	0.12
Consolidation ratios					
Bonus ratio, %	8.7	4.1	2.0	0.2	6.2
Ratio of customers' funds to provisions, %	0.0	0.0	0.0	3.0	2.9
Equity ratio, %	78.9	63.0	51.4	8.6	11.2
Excess solvency ratio, %	65.3	50.4	39.9	8.7	11.2
Solvency adequacy, %	581	500	447	406	496
Business ratios					
Return on equity before tax, %	17.2	13.8	-33.0	-16.7	3.6
Return on equity after tax, %	16.4	12.9	-34.6	-14.7	3.3
Return on client funds after expenses and before tax, %	12.1	6.6	14.6	-5.4	2.1
Return on special bonus provisions Type B before tax	-	-	3.6	-0.4	3.6

¹ The return figure relates to savings for lifelong old-age pension, which earned average interest rates until 2009. Since then, these savings have earned interest at the market rate.

² The return figure relates to the company's equity and life insurance provisions with associated guaranteed benefits since 2009, accounting for 8.6 % (2010: 9.2 %) of the balance sheet total in 2011.

Supplementary ratios	2011	2010	2009	2008	2007
Return attribution after tax, annuity, % ¹	8.2	10.1	12.4 ²	2.5	6.0

¹ Represents the return added for a typical member.

² Typical member's saving for lifelong pension. For 2009 members typically received 8.9 % in interest after tax, and additional distribution of reserves on the individual's account, equivalent to 3.5 % thus, the typical member received an accrual of 12.4 %.

Income statement

Million DKK	2011	2010
Gross premiums	10,465	10,369
Total premiums, net of reinsurance	10,465	10,369
Income from group undertakings	10,003	9,360
Income from associated undertakings	98	98
Income from investment properties	0	-41
Interest income and dividends etc.	965	230
Value adjustments	-519	612
Interest payments	-2	-4
Administrative expenses related to investment activities	-61	-78
Total investment return	10,484	10,175
Pension yield tax	-1,530	-1,496
Investment return after pension yield tax	8,955	8,679
Benefits paid	-3,193	-2,473
Change in claims provisions	-15	-12
Total insurance payments, net of reinsurance	-3,207	-2,486
Change in life insurance provisions	98	308
Total change in life insurance provisions, net of reinsurance	98	308
Annual accrued bonus	-31	-32
Change in bonus provision for group life scheme	-94	131
Change in collective bonus potential	-201	-101
Total bonus	-326	-3
Change in provisions for unit-linked contracts	-15,188	-16,249
Administrative expenses	-234	-233
Total insurance operational expenses, net of reinsurance	-234	-233
Allocated investment income	-306	-246
INSURANCE TECHNICAL RESULT	256	139
Return of investment income allocated to equity	335	272
Other income	31	25
Other expenses	-30	-25
PROFIT/LOSS BEFORE TAX	591	411
Pension yield tax on equity	-29	-26
PROFIT/LOSS FOR THE YEAR	562	386
Other comprehensive income	0	-
TOTAL COMPREHENSIVE INCOME	562	386

Balance sheet, assets

Million DKK	2011	2010
ASSETS		
Plant and equipment	1	1
TOTAL TANGIBLE ASSETS	1	1
Investment properties	-	0
Holdings in group undertakings	10,946	10,324
Loans to group undertakings	63	8
Holdings in associated undertakings	46	47
Loans to associated undertakings	14	16
Investments in group and associated undertakings	11,068	10,395
Holdings	334	311
Unit trusts	109	97
Other loans	1	-
Total financial investment assets	445	408
TOTAL INVESTMENT ASSETS	11,513	10,803
INVESTMENT ASSETS LINKED TO UNIT-LINKED CONTRACTS	109,209	93,976
Receivables from policyholders	698	732
Total receivables from direct insurance contracts	698	732
Accounts receivable at associated undertakings	7	11
Other receivables	19	47
TOTAL DEBTORS	724	790
Cash at bank and in hand	166	140
TOTAL OTHER ASSETS	166	140
Other prepayments	242	215
TOTAL ACCRUALS AND DEFERRED INCOME	242	215
TOTAL ASSETS	121,854	105,925

Balance sheet, liabilities

DKK millions	2011	2010
LIABILITIES		
Share capital	8	47
Retained earnings	3,689	3,126
TOTAL EQUITY	3,696	3,173
Guaranteed benefits	5,304	5,247
Bonus potential of future premiums	-	-
Bonus potential of paid-up policies	83	207
Total life insurance provisions	5,387	5,454
Provisions for claims outstanding	232	217
Bonus provision for group life schemes	761	667
Collective bonus potential	409	208
Provisions for unit-linked contracts	109,802	94,614
TOTAL PROVISIONS FOR INVESTMENT AND INSURANCE CONTRACTS	116,591	101,160
Deferred tax liabilities	29	-
TOTAL PROVISIONS	29	-
Current tax liabilities	1,494	1,470
Other debts	44	121
TOTAL DEBT	1,538	1,591
TOTAL LIABILITIES	121,854	105,925