

Summary

Satisfactory results in 2014

2014 was a good year for PensionDanmark, with growth in members and premiums, a satisfactory investment return, the successful implementation of a new insurance administration platform and a series of new initiatives for members.

Assets of DKK 171 billion

Assets grew by DKK 18.8 billion during the year to a total of DKK 171 billion, an increase of 12%.

The profit for the year was DKK 150 million and was transferred to equity.

Regulatory capital amounted to DKK 3.5 billion at the end of the year. PensionDanmark's aggregate individual solvency requirement was estimated at DKK 0.8 billion on 31 December 2014, and PensionDanmark is thus very well capitalised.

Large increase in membership

PensionDanmark had 662,000 members at the end of 2014, an increase of 20,000 during the year.

The number of active members (contributions within the past 12 months) rose to more than 362,000, due partly to growth in employment in the construction, private service and transport sectors.

More retirement pensioners, fewer disability pensioners

7,500 members began receiving a retirement pension in 2014, including 5,000 with annuities.

The number of retirement pensioners with annuities increased by 15% during the year to 36,600.

Just under 500 members were granted a supplementary disability pension from PensionDanmark in connection with being awarded a public disability pension, a decrease of a quarter on 2013. At the end of 2014, 9,000 members were in receipt of a supplementary disability pension annuity from PensionDanmark.

Growth in premiums and benefits

Premium income amounted to DKK 12.5 billion, up more than 16% on 2013. The rise was due mainly to extraordinarily large transfers in 2014, while regular premiums grew by 2.7%.

Members received a total of DKK 5.0 billion in insurance benefits etc.

In addition, fees of DKK 3.1 billion were reversed in connection with the conversion of more than 430,000 members' lump-sum capital pensions to retirement savings plans.

Tax rebate to members of DKK 225 million

PensionDanmark converted more than 430,000 members' lump-sum capital pensions to retirement savings plans in November 2014, resulting in a total tax rebate to members of DKK 225 million.

Investment return of DKK 16.2 billion

PensionDanmark generated a record investment return of DKK 16.2 billion in 2014.

Developments in financial markets during the year meant that all members up to the age of 65 enjoyed a return in excess of 10%. Equity investments generally produced the highest returns. The portfolio of listed equity returned 12.2%, while investments in private equity were the best-performing asset class with a return of 20.3%.

Investment return of up to 91% since the financial crisis

PensionDanmark's members have benefited from high and attractive returns each year since the financial crisis. From 2009 to 2014, there was a pre-tax return of 73-91% depending on age.

700 apartments sold – 550 more to be built

PensionDanmark sold its portfolio of 700 apartments to Nordic property fund manager NREP in 2014. Meanwhile a major new housing project will start up at Islands Brygge in Copenhagen in 2015, with more than 550 apartments being built over the next four to five years.

DKK 15 billion invested in infrastructure

Due in part to the low level of interest rates, PensionDanmark has expanded its portfolio of infrastructure assets in recent years through a number of direct investments, and the portfolio was worth DKK 15.2 billion at the end of 2014. The aim is for infrastructure investments to amount to just over 10% of total assets, and this is close to being achieved.

Besides direct investments in infrastructure, PensionDanmark has also invested in a number of infrastructure funds investing in transport, utilities and social infrastructure in Europe and the US.

New commitments help maintain allocation to infrastructure

In autumn 2014, PensionDanmark agreed to invest DKK 3.5 billion in Copenhagen Infrastructure Partners Fond II, a fund investing in energy-related infrastructure such as wind farms and power/gas transmission facilities in Western Europe and North America.

PensionDanmark also committed to invest DKK 200 million in the Danish Climate Investment Fund set up by the Investment Fund for Developing Countries (IFU) to invest in climate-related projects in the developing world with a substantial content of Danish technology and know-how.

DKK 11 billion invested in real estate

Another focus area is direct investment in real estate. The real estate portfolio was worth DKK 11.0 billion at the end of the year, of which DKK 10.3 billion was invested in Danish properties.

A substantial share of these investments are in new builds, such as Alfa Laval's new offices in Aalborg, Semco Maritime's new headquarters in Esbjerg, Nordea's new offices in Ørestad and a new psychiatric hospital in Vejle, Denmark's first public-private hospital build.

Responsible investment

PensionDanmark stepped up its work on responsible investment in 2014. Through an external partner, PensionDanmark engaged in dialogue with 285 companies in the investment portfolio. In 101 cases, this concerned workers' rights. This dialogue resulted in 144 tangible improvements in companies' conduct in the environmental, social and governance area.

PensionDanmark also voted at the general meetings of 1,012 companies, voting in favour of the board's recommendation in 78% of cases, and against in 20%. The cases where the company did not support the board's recommendation were mainly concerned with remuneration, capital and the election of directors.

National and international recognition

- > PensionDanmark was crowned Best European Pension Fund for the second time in three years at the IPE Conference and Awards in November.
- > Loyalty Group's annual survey named PensionDanmark as having the most satisfied and loyal customers in the industry.

Lower costs and better customer service

PensionDanmark lowered the administration fee paid by members from DKK 396 to DKK 372 per year from 1 January 2014. In the light of the implementation of the new insurance administration platform and the cost savings this will bring, the fee has been reduced further to DKK 336 per member in 2015. This means that the administration fee has been cut by 15% over the past two years.

New insurance administration platform successfully implemented

Since 2012, PensionDanmark has been working hard on developing and implementing a new insurance administration platform and insourcing member and employer services. The platform was rolled out successfully in November.

The new platform supports PensionDanmark's vision of being a "form-free" pension company. It will also help reduce costs further in the coming years and provide greater scope to meet members' ever more extensive needs for advice as their savings grow.

Improved products for members

Besides retirement pensions, PensionDanmark also pays disability, critical illness and death benefits, and offers members a Health Scheme as part of its claims prevention activities.

In 2014 the product range was strengthened further with the introduction of a tax-free lump sum of DKK 100,000 for new disability pensioners, as well as savings protection for members working reduced hours due to incapacity and so not covered by the standard retirement plan.

Focus on prevention and fast diagnosis

Almost all industries that have their pension schemes with PensionDanmark have now chosen to have their members in PensionDanmark's Health Scheme. 276,000 members were covered by the scheme at the end of 2014, and a total of 178,000 treatments were given during the year. Neck and lower-back problems accounted for more than half of these treatments.

At the end of the year, 271,000 members were enrolled in the fast diagnosis scheme. 1,555 cases were completed in 2014, against 1,443 in 2013. The typical time to diagnosis is 20 days. Knee, back and shoulder problems accounted for 55% of cases.

New partnership with labour market authorities

On 1 December 2014, PensionDanmark launched a new partnership with the Danish Agency for Labour Market and Recruitment (STAR), whereby the two will work together to help ensure early detection of members on sick leave. STAR will contact these members by post, and PensionDanmark has built up a team of nurses to help them back to work, drawing on the examination, treatment and rehabilitation services offered by both PensionDanmark and the public health service.

Financial results

Profit/loss and distribution of profit/loss

The profit for the year transferred to equity was DKK 150 million. A discretionary transfer of DKK 128 million was made to various groups of retirement pension members in 2014 to make it possible in future to adjust retirement benefits to current returns and current life expectancy for individual cohorts. Without this transfer, the profit for the year would have been DKK 278 million.

The vast majority of PensionDanmark's pension schemes are unit-linked, where the whole of the investment return is credited to customers' accounts as yield. Plans with guaranteed benefits make up only a very small part of the balance sheet. The surplus on these plans is divided between equity and collective bonus potential in line with the stated surplus policy. The realised profit and its distribution are presented in note 7 to the annual financial statements.

Capital and solvency requirements

PensionDanmark works systematically on the company's risks and has introduced a number of initiatives to monitor and limit them.

PensionDanmark's aggregate individual solvency requirement was estimated at DKK 0.8 billion on 31 December 2014. Its regulatory capital after the financing of risk supplements was DKK 3.4 billion, giving excess solvency of DKK 2.6 billion.

Regulatory capital and risk

	2014	2013
Financial risks after tax	1,135	991
Insurance risks	586	441
Correlation	-293	0
Operational risks	111	112
Of which, covered by provisions	-701	-385
Individual solvency requirement	838	1,159
Capital requirement	534	624
Required regulatory capital	838	1,159
Regulatory capital (equity) after financing of risk supplements	3,413	3,452

Statement of income and comprehensive income

Note	Million DKK	2014	2013
2	Gross premiums	12,425	10,738
	Total premiums net of reinsurance	12,425	10,738
	Income from group undertakings	13,991	7,963
	Income from associated undertakings	631	200
	Interest and dividends etc.	2,287	2,267
3	Value adjustments	-716	-1,254
	Interest paid	-2	-2
4	Administrative expenses related to investment activities	-97	-100
	Total investment return	16,094	9,075
5	Pension yield tax	-2,496	-1,398
	Investment return after pension yield tax	13,598	7,677
6	Benefits paid	-8,191	-4,676
	Change in claims provisions	55	2
	Total insurance benefits net of reinsurance	-8,136	-4,674
11	Change in life insurance provisions	-79	464
	Total change in life insurance provisions net of reinsurance	-79	464
11	Bonus accrued for the year	-16	-40
12	Change in bonus provision for group life schemes	-842	-521
13	Change in collective bonus potential	-38	91
	Total bonus	-896	-470
14	Change in provisions for unit-linked contracts	-16,496	-14,167
4	Administration costs	-265	-264
	Total insurance operating expenses net of reinsurance	-265	-264
	Allocated investment income	-265	-174
	INSURANCE TECHNICAL RESULT	-114	-870
	Investment return on equity	310	192
	Other income	39	36
	Other expenses	-38	-35
	PROFIT/LOSS BEFORE TAX	197	-677
	Pension yield tax on equity	-44	-18
7	PROFIT/LOSS FOR THE YEAR	152	-695
	Other comprehensive income	-	-
	TOTAL COMPREHENSIVE INCOME	152	-695

Balance sheet, assets

Note	Million DKK	2014	2013
8	Equipment	0	0
	TOTAL TANGIBLE ASSETS	0	0
	Holdings in group undertakings	12,108	10,173
	Loans to group undertakings	79	109
	Holdings in associated undertakings	367	151
	Loans to associated undertakings	39	39
	Total investments in group and associated undertakings	12,593	10,472
	Shares etc.	370	275
	Fund units	197	185
	Bonds	20	0
	Other loans	165	202
	Other	0	1
	Total other financial investment assets	752	663
	TOTAL INVESTMENT ASSETS	13,345	11,135
9	INVESTMENT ASSETS ATTACHED TO UNIT-LINKED CONTRACTS	155,915	139,448
	Amounts receivable from policyholders	636	740
	Total receivables from direct insurance contracts	636	740
	Amounts receivable from associated undertakings	7	7
	Other receivables	54	84
	TOTAL RECEIVABLES	697	831
	Cash at bank and in hand	354	345
	TOTAL OTHER ASSETS	354	345
	Other accruals	533	378
	TOTAL ACCRUALS	533	378
	TOTAL ASSETS	170,844	152,137

Balance sheet, equity and liabilities

Note	Million DKK	2014	2013
	EQUITY AND LIABILITIES		
10	Share capital	8	8
	Retained earnings	3,597	3,444
	TOTAL EQUITY	3,604	3,452
	Guaranteed benefits	4,944	4,776
	Bonus potential on future premiums	-	-
	Bonus potential on paid-up policies	1	74
11	Total life insurance provisions	4,946	4,850
	Claims provisions	189	243
12	Bonus provisions for group life schemes	2,394	1,552
13	Collective bonus potential	297	259
14	Provisions for unit-linked contracts	156,551	140,056
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	164,376	146,961
5	Deferred tax	189	154
	TOTAL PROVISIONS	189	154
	Amounts payable to credit institutions	154	178
	Amounts payable to group undertakings	21	4
5	Current tax liabilities	2,429	1,264
	Other liabilities	71	126
	TOTAL LIABILITIES	2,675	1,571
	TOTAL EQUITY AND LIABILITIES	170,844	152,137
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26. Key figures

Million DKK	2014	2013	2012	2011	2010
Premiums	12,425	10,738	10,653	10,465	10,369
Insurance benefits	-8,136	-4,674	-3,961	-3,207	-2,486
Investment return	16,094	9,075	12,029	10,484	10,175
Total insurance operating expenses	-265	-264	-274	-234	-233
Insurance technical result	-100	-870	151	256	139
Profit/loss for the year	144	-695	450	562	386
Total provisions for insurance and investment contracts	164,377	146,961	132,790	116,591	101,160
Total equity	3,596	3,452	4,147	3,696	3,173
Total assets	170,825	152,137	138,830	121,854	105,925
Estimated solvency requirement	534	624	648	637	635
Base capital	3,596	3,452	4,147	3,696	3,173
Members at end of the year	662,107	642,178	633,556	617,784	595,104

27. Key ratios

	2014	2013	2012	2011	2010
Return ratios, unit-linked contracts					
Return before pension yield tax, %					
- Life Annuity under age 41	10.5	9.3	10.9	8.2	12.9
- Life Annuity, age 50	10.8	7.1	10.2	9.6	11.9
- Life Annuity, age 60	10.6	5.0	9.4	11.0	11.0
- Life Annuity, age 65	10.6	3.9	9.0	11.7	10.5
- Capital Pension and Terminable Annuity under age 41	10.5	9.3	10.9	8.1	12.4
- Capital Pension and Terminable Annuity, age 50	10.8	7.1	10.2	9.4	11.5
- Capital Pension and Terminable Annuity, age 60	10.6	5.0	9.4	10.8	10.5
- Capital Pension and Terminable Annuity, age 65	10.6	3.9	9.0	11.5	10.0
Return ratios, average interest rate products					
Return before pension yield tax, % ¹	11.3	1.2	7.9	13.3	8.7
- Equity, %	8.7	4.7	9.2	9.9	9.7
Expense and surplus ratios					
Expenses as a percentage of premiums	2.1	2.5	2.6	2.2	2.2
Expenses as a percentage of provisions	0.17	0.19	0.22	0.22	0.25
Expenses in DKK per insured	378	378	400	352	362
Cost account surplus as a percentage of provisions, %	-0.02	-0.01	-0.02	0.01	0.01
Risk account surplus as a percentage of provisions, %	-0.01	-0.02	-0.01	0.00	0.01
Capitalisation ratios					
Ratio of collective bonus potential to provisions, %	7.8	6.3	7.9	8.7	4.1
Ratio of policyholders' funds to provisions, %	0.0	0.0	0.0	0.0	0.0
Equity ratio, %	94.1	83.3	93.7	78.9	63.0
Ratio of excess solvency to provisions, %	80.1	68.3	79.0	65.3	50.4
Solvency ratio, %	675	554	640	581	500
Business ratios					
Return on equity before tax, %	5.5	-17.8	12.2	17.2	13.8
Return on equity after tax, %	4.3	-18.3	11.5	16.4	12.9
Return on policyholders' funds after expenses but before tax, %	9.5	-1.5	4.5	12.1	6.6
Return on type B bonus provisions before tax, %	-	-	-	-	-

¹ Return relates to the company's equity and life insurance provisions with guaranteed benefits since 2009. In 2014 these amounted to 6.7% (2013: 6.8%) of total assets.