



Annual Report 2018 – Extract

We reached a turning point in 2018



Torben Möger Pedersen posing in front of PensionDanmark's sound-absorbing moss wall

2018 was a difficult year for investments, with fears of trade disputes, rising US interest rates and the chaotic political risk scenario in Europe translating into jittery and turbulent financial markets. This was reflected in returns.

However, PensionDanmark's broad portfolio of alternative investments helped deliver one of the strongest performances in the pension industry. PensionDanmark generated a negative 2.6% return for younger members, a positive 0.2% return for older members and a positive 0.7% return for retired members.

Seen in isolation, negative returns are not satisfactory, but we are pleased that we were able to deliver positive returns to our older and our retired members, and that the losses incurred by our younger members were moderate. Indications are that the prolonged period of exceptionally high and stable returns came to an end in 2018.

In such an investment environment, a diversified portfolio is key, and thanks not least to our investments in infrastructure and sustainable real estate, which provide stable returns even in the face of financial market headwinds, PensionDanmark is robustly positioned to tackle such challenges.

The continued recovery of the Danish economy in 2018 created additional jobs in companies whose employees have pension schemes with PensionDanmark, taking contributions to DKK 14.2 billion. Impacted by investment returns of a negative DKK 3.2 billion, total assets came to DKK 235.9 billion in 2018. PensionDanmark's digitalisation programme reached several new milestones in 2018. We implemented more robots and new self-service tools that are freeing up time for our service team to engage in dialogue with our members. Digital solutions enable us to provide better member services and to retain our position as the most cost-efficient Danish pension provider. We are committed to retaining this position.

In the past year, we celebrated the 25th anniversary of the first contributions to PensionDanmark's pension schemes. Combining tax-funded state pension for everyone with savings-based occupational pensions schemes for all wage earners, the Danish pension system is not only robust and sustainable, but also quite unique by international standards. We need to take good care of this unique system. Effective January 2018, we implemented the new retirement savings product (Aldersopsparing, which is TTE) adopted by the Danish Parliament in 2017, which, together with the pension-related elements of the Finance Act adopted in December 2018, has brought us closer to solving the issues with the interplay between state pension and occupational pension schemes. This will help future-proof the strong Danish pension model.

In late 2018, based on the outlook for weaker growth, the pensions industry revised the societal assumptions underlying pension benefit forecasts. For many companies, this entailed a downgrade of expected pension payouts. As PensionDanmark has historically applied slightly more conservative assumptions, PensionDanmark's payout forecasts have not been

significantly affected. At the same time, PensionDanmark has adjusted the inflation buffer (the equalisation mechanism) ensuring that members' pension savings are not eliminated by inflation, as our approach in this respect has been slightly too conservative. Overall, this means higher benefits for our retired members as from 1 January 2019.

PensionDanmark's innovative approach to real estate investment and digitalisation helped win us the award for European Pension Fund of the Year at December's IPE Awards. We are the first pension company ever to have won this award two years in a row. We received three other awards at the same event, including for being the best pension provider in the innovation category. Innovation is crucial, especially to keeping costs low for the benefit of our members, and innovation will remain a key element of our future strategy.

Torben Möger Pedersen
CEO, PensionDanmark

In 2018, PensionDanmark was named European Pension Fund of the Year for the fourth time



Financial highlights and overview



Detail from PensionDanmark's construction site at Islands Brygge

Characterised by challenged financial markets, 2018 marked a turning point. Following several years of exceptionally high and stable investment returns, we expect to generate lower returns in the period ahead. From the perspective of PensionDanmark's members, 2018 was another year of growing pension contributions and low costs.

- > The recovery of the Danish economy created additional jobs in companies whose employees have pension schemes with PensionDanmark. At present we have more than 732,000 members.
- > Pension contributions reached DKK 14.2 billion before tax.
- > Pension and insurance benefits for our members amounted to DKK 8.2 billion
- > Total investment returns were negative at DKK 3.2 billion – giving a negative 2.6% return for our younger members, a positive 0.2% return for our older members and a positive 0.7% return for retired members.
- > In order to optimise our members' retirement benefits, we adjusted the distribution of member contributions at the beginning of 2018, to the effect that most members now contribute the maximum allowed amount after tax to their retirement savings, while the remaining contribu-

- tions are distributed among lifetime and annuity pensions.
- > Due to efficient insurance administration and further digitalisation of processes, the administration fee per member remained at a low level of DKK 297.
- > Customer satisfaction is high, and processing times were reduced even further.
- > 40,100 members received 340,000 interdisciplinary treatments in 2018 which is a year-on-year increase of just under 15% in terms of both treatments and members. 5,000 members received Prompt Diagnosis assistance, and the average triage time was 22.7 days.
- > We sent more than 1.1 million individual digital messages to more than 250,000 subscribing members. This gave rise to increased interaction with members and a large number of self-service procedures. The number of member log-ins to our website was up by 65% to 0.9 million in 2018.
- > PensionDanmark is well-consolidated with an equity of DKK 4.3 billion.
- > We acknowledge our corporate social responsibility. Read more in our Corporate Social Responsibility Report 2018 at pensiondanmark.com.

Key figures and financial ratios

	2018	2017	2016	2015	2014
Contributions before tax, DKKbn	14.2	13.6	12.8	12.1	12.5
Benefits paid, DKKbn	8.2	7.8	6.9	5.9	8.1
Return on investment before tax, DKKbn	-3.2	16.6	13.0	7.1	16.1
Total assets, DKKbn	235.9	233.2	221.5	199.8	171.0
Equity, DKKbn	4.3	4.2	3.7	3.8	3.6
Administration fee per member	297	297	297	336	372
Number of members, year-end	732,000	713,000	695,000	684,000	662,000

PensionDanmark's construction site at Islands Brygge





Mohamad of Malerfirmaet Petersen & Andersen is a member with PensionDanmark

Statement of income and comprehensive income

Note	DKKm	2018	2017
	Premiums before tax	12,275	11,799
	Transfers from pension schemes etc.	1,876	1,796
	Gross premiums before tax	14,151	13,595
	Tax on retirement savings	-1,186	-
4	Total premiums net of reinsurance	12,965	13,595
15	Income from affiliated companies	1,848	2,269
	Income from associated companies	1,917	731
	Interest, dividends, etc.	7,582	6,568
	Value adjustments	-14,046	7,650
	Interest expenses	-77	-121
5	Administrative expenses related to investment activities	-436	-450
6	Total investment returns	-3,211	16,647
7	Tax on pension investment returns	537	-2,283
	Investment return after tax	-2,674	14,364
8	Benefits paid	-8,248	-7,845
	Total insurance benefits net of reinsurance	-8,248	-7,845
9,21,22,23	Change in life insurance provisions	-1,680	-19,461
	Total change in life insurance provisions net of reinsurance	-1,680	-19,461
5	Total insurance operating expenses net of reinsurance	-238	-229
6	Transferred return on investments	-113	-426
	TECHNICAL RESULT	12	-3
	Investment return on equity	7	283
10	Other income	25	31
11	Other expenses	-25	-31
	PROFIT/LOSS BEFORE TAX	19	279
	Tax	107	143
12	PROFIT/LOSS FOR THE YEAR	125	423
13	Other comprehensive income	-	-
	TOTAL COMPREHENSIVE INCOME	125	423

Balance sheet

Note	DKK m	2018	2017
	ASSETS		
14	INTANGIBLE ASSETS	91	76
	Equipment	2	2
14	TOTAL PROPERTY, PLANT AND EQUIPMENT	2	2
	Investments in affiliated companies	1,063	894
	Loans to affiliated companies	108	117
	Investments in associated companies	374	288
15	Total investments in affiliated and associated companies	1,545	1,300
	Equity investments	1,656	1,698
	Mutual fund investments	122	190
	Bonds	7,941	7,898
	Other loans	794	833
30	Derivative financial instruments	455	446
	Other	86	51
	Total other financial investment assets	11,053	11,116
16	TOTAL INVESTMENT ASSETS	12,599	12,416
16	INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS	215,227	212,982
	Receivables from policyholders	949	946
	Total receivables related to direct insurance contracts	949	946
	Receivables from affiliated companies	4	10
	Other receivables	1,336	2,826
17	TOTAL RECEIVABLES	2,289	3,782
7	Deferred tax assets	776	21
18	Cash and cash equivalents	4,598	3,608
	TOTAL OTHER ASSETS	5,374	3,629
19	Other prepayments	291	288
	TOTAL PREPAYMENTS	291	288
	TOTAL ASSETS	235,872	233,174

Note	DKK m	2018	2017
	EQUITY AND LIABILITIES		
20	Share capital	8	8
	Retained earnings	4,274	4,149
	TOTAL EQUITY	4,282	4,156
21	Group life bonus provision	3,351	3,427
22	Life insurance provisions, average interest rate products	4,445	4,699
23	Life insurance provisions, unit-linked contracts	205,797	204,314
	Total life insurance provisions	213,593	212,440
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	213,593	212,440
18	Payables to credit institutions	9,880	8,823
	Payables to affiliated companies	2,455	1,948
7	Current tax liabilities	18	2,298
24, 30	Other payables	5,645	3,507
	TOTAL LIABILITIES	17,997	16,576
	TOTAL EQUITY AND LIABILITIES	235,872	233,174



PensionDanmark A/S

Langelinie Allé 43

DK-2100 Copenhagen Ø

☎ +45 3374 8000

@ info@pension.dk

🌐 pensiondanmark.com

PensionDanmark

