

Obligatorisk Pensionsordning (Mandatory Pension Scheme)

New pension scheme for transfer income recipients

On 1 January 2020 the Mandatory Pension Scheme (Obligatorisk Pensionsordning – OP) Act for recipients of various transfer incomes came into force. The purpose of OP is to ensure that savings-based pensions are strengthened such that all citizens, including during periods on transfer income, are saving up for their own pension. The contributions are fully financed by funds previously earmarked for the social initiatives fund (Satspuljen) in order that the individual citizen's transfer income is not reduced.

During 2020, 951,900 people were covered by the scheme. There is a substantial overlap between OP members and ATP Livslang Pension (Lifelong Pension) members, as 98% of OP members are also members of ATP Livslang Pension (Lifelong Pension). As several areas of transfer income (such as maternity/paternity benefits) see large ongoing fluctuations, there is a high replacement rate of citizens for whom the OP contributions will be payable. Over a 20-year period, it is estimated that OP contributions will be paid for around 3 million people.

For 2020, OP contributions represented 0.3 per cent of the relevant transfer income, equal to total contributions in 2020 of DKKm 339. Contributions increase annually by 0.3 percentage point until 2030 where total contributions will be 3.3 per cent. By 2029 at the latest, it has to be politically decided whether to increase contributions beyond 3.3 per cent.

The authority paying the benefits to the individual recipient, such as unemployment insurance funds, municipalities, Udbetaling Danmark – Public Benefits Administration and the Ministry of Education and Research, will be responsible for calculating the OP contributions for the individual transfer income recipient and for making correct payment via elndkomst and payment to ATP.

Covered by the Mandatory Pension scheme (Obligatorisk pensionsordning – OP)

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| Unemployment benefit | Education benefit |
| Maternity/paternity benefits | Flexjob contribution |
| Early retirement pension | Resource course grant |
| Holiday benefit (feriedagpenge) | Unemployment benefit for persons accepted onto a subsidised flexible employment scheme (ledighedsydelse) |
| Early retirement allowance for beneficiaries of the subsidised flexible employment scheme (fleksydelse) | Rehabilitation benefits |
| Disability pension | State Adult Education Grants |
| Welfare benefits | Sickness benefits |

The Mandatory Pension Scheme (OP) must be managed by ATP such that the scheme is associated with and fully integrated with ATP Livslang Pension (Lifelong Pension). Since most transfer income recipients are already paying or have paid contributions to ATP Livslang Pension (Lifelong Pension), administration expenses can be minimised and kept at a level that will not constitute an erosion of the Mandatory Pension Scheme.

Integration with ATP also means that:

- OP becomes part of the existing common assets with a common investment policy and risk sharing, in which a common bonus policy is applied based on a common bonus potential
- OP is a life annuity paid from the time of state-funded old-age pension age and for the remainder of life. Payment times, capitalisation and deferment regulations will be the same across ATP, SUPP and OP
- OP contributions earn the right to payment of benefits on death together with rights earned via ATP contributions.

OP members, end of 2020

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| Members over the retirement age for the state-funded old-age pension | 15,700 |
| Members below the retirement age for the state-funded old-age pension | 931,500 |
| Total number of members | 947,200 |
| New OP members in 2020 | 951,900 |

Payments and contributions in 2020

| Payments | Number of | DKKm |
|------------------------------------|-----------|-------|
| Current pensions | 14,400 | < 0.1 |
| Lump-sum benefits | 300 | < 0.1 |
| Total payments | | < 0.1 |
| Contributions | | |
| Members with contributions in 2020 | 951,900 | |
| OP contributions | | 339 |