

Press release

1 September 2022

ATP's pensions are still safe after an H1 with great financial turmoil

The markets were very much characterised by turbulence in H1 2022. Rising interest rates and falling equity prices resulted in a negative investment result at ATP, but this does not threaten the basic security of the guaranteed pensions.

In H1 2022, the ATP Group saw a negative result of DKK 51.0bn. The result is mainly attributed to a large negative return in the investment portfolio which is due to the general market developments with falling equity markets and rising interest rates. In H1, the investment portfolio generated returns (before expenses and tax) of DKK -57.6bn, and after expenses this is equivalent to -36.4 per cent in returns in relation to the bonus potential.

The largest negative contributions were from investments in government and mortgage bonds which had negative returns of DKK -48.4bn and from listed equities which had negative returns of DKK -20.4bn. The largest positive contributions came from the holdings of inflation-related instruments, which generated returns of DKK 10.7bn.

“It has been an unusually difficult H1, but our business model ensures that the pensions for our members remain unchanged despite the turbulent developments in the financial markets in 2022. Even though the investment return has been negative this year, ATP's average returns are still over 10 per cent over the past five years and ATP still has a healthy balance between the size of our guarantees and our reserves in the so-called bonus potential,” says Martin Præstegaard, CEO (Chief Executive Officer) of ATP.

For the remainder of the year, it is expected that the financial markets will still be characterised by a great deal of uncertainty. ATP will maintain its disciplined approach to risk management to create the best possible returns while simultaneously ensuring that ATP is always able to meet its guarantees to its members. Since 2012, ATP has generated returns of DKK 185bn in its investment portfolio.

Hedging protects the pensions

ATP protects the pension guarantees for members by hedging the interest rate risk. Hedging allows ATP to ensure that members receive the pensions promised, regardless of whether interest rates rise or fall.

Despite the negative investment result, the basic security remains and there is no doubt about ATP's ability to handle the future payments for all our members. The value of the guaranteed pensions fell steeply due

to the interest rate increases during this period, but this was hedged in the hedging portfolio.

“ATP’s business model means that the current value of our guaranteed pensions decreases when interest rates rise, but this does not alter the fact that the guarantees are intact and that the pension we have promised our members will still be paid out even if, on paper, our assets have decreased in 2022,” says Martin Præstegaard.

Asset developments

ATP’s reserves - the bonus potential - were at DKK 108bn at the end of H1 and the pension liabilities were at DKK 624bn. The bonus capacity, which is the relationship between the bonus potential and the value of the pension liabilities, was - despite the turbulent market developments - at a solid 17.4 per cent after H1 and thus similar to the average for the past 10 years.

Total annual expenses remained low

ATP continues to keep a clear focus on keeping expenses low, as they directly affect the size of pensions. We continuously balance the desire for low expenses with the need to create the best possible returns for members. ATP’s administration activity expenses in H1 2022 totalled DKK 105 million or DKK 19 per member. Investment costs totalled DKK 1.126 million equivalent to DKK 207 per member. This is low in both a Danish and an international context.

Life expectancy update

This year’s life expectancy update resulted in a transfer of pension liabilities to the bonus potential of DKK 3.8bn, or 0.6 per cent of the value of the pension liabilities. The transfer is an expression of the adjustment to life expectancy.

Other activities in the period

Effective as of 1 January 2022, ATP has increased the ATP Livslang Pension (Lifelong Pension) by 4 per cent to the more than 5 million members after many years of good investment returns. At the same time, our business model is in the process of being modernised so that it will also in the future be possible to achieve strong investment results and thus increase the pensions on an ongoing basis. In H1 2022, Udbetaling Danmark – Public Benefits Administration (under ATP) has implemented new legislation which is to ensure that 1.2 million parents in Denmark get equal shares of the child and youth benefits. Labour Market Insurance (AES) has also had its new IT system become fully operational.

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