

Press release

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A historically challenging 2022 for ATP will not impact the Danish people's pensions

2022 ended up being an unusual year. For ATP, steep interest rate hikes and major stock market declines resulted in comprehensive losses on our investments. This rare combination of events hit ATP hard, but there are no changes to the pensions being paid out. ATP is paying out the pensions that we have promised to our members.

In 2022, the ATP Group generated a result of DKK -56.8bn. This was driven by large negative returns in the investment portfolio due to the general turbulent market developments. In 2022, the investment portfolio generated returns (before expenses and tax) of DKK -64.4bn, and after expenses this is equivalent to -40.9 per cent of the bonus potential. Despite the losses, the pensions that ATP has promised remain unchanged and the people of Denmark will still be paid out their guaranteed pensions.

The overall result for the year reflects the fact that the financial losses were greatest at the start of 2022 and that the year ended with positive returns and a positive result for the fourth quarter if viewed independently.

“ATP has had a very difficult year where we lost a lot of money in our investment portfolio. We would have been better off without it but 2022 was a challenging year for all investors. ATP was hit by losses in both equities and particularly bonds, which constitutes a large share of the investment portfolio, and we also generally have a high level of risk in this limited portion of ATP's total assets. We believe that this is the right long-term strategy, and a 2022 that disappointed in terms of results does not change this. Therefore, we will stick to what we believe serves our members best in the long run,” says Martin Præstegaard, ATP's CEO.

The ATP and state pensions are the basic pillars of pensions in Denmark

Over the course of the year, the greatest negative contributions to the result came from investments in both government and mortgage bonds with returns of DKK -60.6bn and from investments in listed equities with returns of DKK -20.7bn. The holdings of inflation-related instruments had a net positive contribution of DKK 11.8bn.

The negative result for 2022 follows several years with high returns. Over the past five years (including 2022), the accumulated net returns are DKK 10bn per year on average, which is a time-weighted return of six per cent per year.

“Together with the state pension, ATP is the supporting pillar of the Danish pension system. We pay out a fixed amount to our members when they reach the retirement age, and our members know that they can rely on that payment for the rest of their lives. Today, 40 per cent of Danish pensioners have no other income than the state pensions and ATP. This means that the pensions we pay out are extremely important to many thousand Danish pensioners and that they must not fail to receive them. And this will not happen, because our hedging portfolio ensures that we are always able to deliver what we have promised our members,” says Martin Præstegaard.

Despite the negative result, the basic security remains and there is no doubt about ATP’s ability to handle the future payments for all of ATP’s members. The value of the guaranteed pensions fell steeply due to the interest rate increases during 2022, but this was hedged in the hedging portfolio. Hedging generated total returns of DKK -8.3bn, equivalent to -1.4 per cent of the guaranteed benefits. The negative result is, among other things, due to the fact that the hedging of pension guarantees cannot be completely precise.

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 were DKK 39 per member in 2022. This was similar to last year and still low in both a Danish and international context. The total APR for 2022 was 0.35 per cent of assets.

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 0.7 per cent of the value of the pension liabilities. The transfer is an expression of the adjustment to life expectancy due to the actual changes in the past year.

Development in assets and bonus capacity

ATP’s reserves - the bonus potential - were at DKK 103bn at the end of 2022 and the pension liabilities were at DKK 575bn. The bonus capacity, which is the relationship between the bonus potential and the value of the pension liabilities (and thus an expression of ATP’s ability to increase pensions) was, despite the turbulent market developments in 2022, at 17.8 per cent. This is similar to the average over the past 10 years.

The success of Udbetaling Danmark - Public Benefits Administration

Besides the role of being a pension fund for all people of Denmark, ATP has another significant task as the payer of the vast majority of Danish welfare benefits. This takes place via Udbetaling Danmark, a self-governing institution that, among other things, pays out state pensions, housing benefits and child and youth benefits. 2022 included the 10-year anniversary of Udbetaling Danmark - Public Benefits Administration - as a new core authority in the Danish welfare state. It was created to streamline the administration, ensure uniform case processing, and support the legal rights of people in Denmark.

“Financially, Udbetaling Danmark has been a major success. The goal specified in 2012 was to reduce expenses by DKK 300bn per year by creating this institution, and that goal was reached already in 2015. Digitalisation and streamlining are the main reasons for why Udbetaling Danmark currently reduces expenses by at least DKK 700 million per year and there is potential for even more,” says Martin Præstegaard.

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