

IGP Country Profile

2022

Denmark

Prepared by:
PFA Pension





Preface

This Country Profile has been prepared by **PFA Pension** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in around 70 countries throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston, our regional offices in Brussels and Singapore, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is managed by John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

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John Hancock Financial Services
P.O. Box 111, Boston, Massachusetts 02117
United States
T + 1 617-572-8677
E igpinfo@jhancock.com
W www.igpinfo.com

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PFA Pension was founded in 1917 and is the largest privately owned life insurance company in Denmark. PFA is also the leading underwriter of group insurance and pension plans in Denmark with a 20.1% share of the overall financial services market. PFA Pension has assets of close to DKK 600 billion, and its premium income exceeds DKK 43 billion from more than 1,3 million customers who have chosen one or more of PFA's pension products.

Independent agencies have given PFA high scores for the financial returns on its retirement products, pricing of products, and high level of service. PFA is strongly committed to being involved in public and legislative matters concerning the status of pensions in Denmark and to providing service based on ethical guidelines.

PFA Pension has been an IGP Network Partner since 1982.

Key Products

Life

- Life (as part of a pension plan)

Disability

- Critical Illness (as part of a pension plan)
- Disability Cover (as part of a pension plan)
- Waiver of Premium

Medical

- Health Insurance
- Preventive Care

Pensions

- Insured Pensions
- Market rate savings

Social Security Benefits and Customary Private Employee Benefits

Introduction:

All Danish nationals are automatically covered by the Social Security System.

Although the Danish Social Security System has been called one of the best in the world, typically the benefits are low and based on a flat rate.

Social Security benefits are subject to the Social Pension Act, which took effect May 16, 1984.

Negotiations in the early '90s resulted in the establishment of a labor market pension scheme for approximately 400,000 wage earners.

Since then, the contribution rate for the individual employees' labor market pension schemes has reached close to 15 %.

Usually, the employer pays 2/3 of the pension contribution and the individual employee pays 1/3.

A labor market pension scheme is typically a pension scheme that is a result of collective bargaining, or a pension scheme that has been agreed upon between an employer and a pension company.

Typical pension plans today are endowment/installment/annuity plans that include the following benefits:

- Annual disability pension
- Lump sum death benefit or installment insurance
- Children's pension in the event of death
- Installment pension, annuity pension or lump sum benefit on retirement
- Lump sum disbursement in the event of critical illness
- Lump sum disbursement in the event of children's critical illness
- Health insurance

If a company decides to implement an insured pension scheme for its employees, it must make additional decisions regarding funding and plan design.

Please note that after the tax reform that took effect on January 1, 2013, it is no longer possible to make payments to a pension plan that includes a lump sum and have tax deductibility. Therefore, if a pension plan includes a lump sum, the plan will be established without tax deduction for that part of the contributions that relates to lump sum payments.

The legislation governing private pension schemes is related to the legislation governing taxation:

The Act Concerning Taxation of Pension Schemes

This Act describes the pension schemes that are tax-deductible. If the pension scheme meets the requirements of the Act, no approval is necessary from the authorities.

The Act Concerning Private Pension Funds

This Act describes the requirements for private pension funds. The Act also states that no pension promise can be made unless the promise is funded.

The Insurance Business Act

This Act describes the requirements for insurance companies and the supervision of the companies by the State Insurance Board.

The Insurance Contracts Act

In this Act, a set of rules is laid down that governs the insurance conditions, etc.

Danish Act on Taxation of Yields on Pensions Savings

This Act governs the taxation on the yield of pension scheme assets and the return on investments of certain assets.

Social Security Contributions: The Social Security benefits are financed through general revenue.

ATP (Labor Market Supplementary Pension Scheme)

Contributions are as follows:

	Employee	Employer	Total
	DKK	DKK	DKK
<u>Paid monthly:</u>			
At least 117 hours	94.65	189.35	284.00
78 - 117 hours	63.10	126.25	189.35
39 - 78 hours	31.55	63.10	94.65
Less than 39 hours	0.00	0.00	0.00
<u>Paid weekly, etc.:</u>			
At least 27 hours	24.90	49.80	74.70
18 - 27 hours	16.60	33.20	49.80
9 - 18 hours	8.30	16.60	24.90
Less than 9 hours	0.00	0.00	0.00

DEATH BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Death Benefits Death benefits are not provided by Social Security.</p>	<p>The legislation allows for the possibility of establishing a flexible pension scheme where individual needs can be met within certain limits.</p> <p>The general objective in the design of a pension plan is to provide a basic coverage in the event of disablement or death provided on a group basis called solidarity coverage. Solidarity coverage means that the price for the coverage is leveled out over the entire group.</p> <p>In addition to the basic coverage, employees can individually choose a higher disability, death and critical illness cover, provided it is within the agreed limits and the agreed premium.</p>

DISABILITY BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Illness Daily Cash Benefits</p> <p>In Denmark, it is common for employees to receive their normal salary as a result of absence due to sickness. Employers are responsible for the payment of cash sickness benefits during the first 30 days of an employee's absence. A portion of the salary will be reimbursed by the Government after the second week. As of January 1, 2022, the daily cash sickness benefits cannot exceed DKK 4,465 per week. Private employers have the opportunity to take out sickness insurance which can protect the business against financial loss associated with employee illness. The insurance costs 0.79 % of the total labor costs. The employer's wage bill in the previous calendar year shall not exceed DKK 7,813,750. This arrangement is possible for all private employees, and the daily cash benefit will be disbursed from Social Security.</p>	<p>The legislation allows for the possibility of establishing a flexible pension scheme where individual needs can be met within certain limits. The general objective in the design of a pension plan is to provide a basic coverage in the event of disablement or death provided on a group basis called solidarity coverage. Solidarity coverage means that the price for the coverage is leveled out over the entire group.</p> <p>In addition to the basic coverage, employees can individually choose a higher disability, death and critical illness cover, provided it is within the agreed limits and the agreed premium.</p> <p>Disability Pension</p> <p>When setting the level of the disability cover in a pension plan, it should be taken into consideration that the allowance a person will receive during the job assessment or job rehabilitation program under the social security system will be reduced by a disability pension paid out from a pension plan. The pension plan should therefore include a possibility that 80% of the employee's salary will be paid out during the program period (max. 5 years).</p> <p>Critical Illness</p> <p>As there is usually no statutory financial assistance available to employees suffering from a life-threatening illness, many companies take out an insurance that pays a lump sum if the employee is diagnosed with one of many diseases, such as cancer. More and more pension suppliers also offer coverage in case of children's critical illness until the age of 21 and 24.</p>

MEDICAL BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>The National Health Program covers all residents on one of two bases. The individual chooses the Group to which he/she wishes to belong.</p> <p>Group 1 patients are fully covered by Social Security, which pays for doctor and specialist fees directly, but offers no choice as to which doctor or specialist may be seen.</p> <p>Group 2 patients do have a choice of doctor or specialist. These patients must pay for the treatment themselves and are subsequently reimbursed for all incurred charges by Social Security up to the extent of the Group 1 fee scale. They pay any difference between the amount allowed by Social Security and the amount actually charged.</p> <p>The majority of residents elect belonging to Group 1.</p> <p>Medical/Hospital Care Free stay in the hospital for all persons.</p> <p>Free treatment by a doctor and, if the doctor has referred the patient to a specialist, this treatment is free as well.</p> <p>Partial reimbursement is made for dental care, drugs, and medicines according to a fixed scale.</p> <p>Transportation Only persons in Group 1 can obtain a grant for transportation in the following cases:</p> <ul style="list-style-type: none"> • Persons receiving an old-age, disability or early retirement pension: <ul style="list-style-type: none"> ➢ Transportation cost to and from treatment or examination at doctor's office. ➢ Transportation cost to and from treatment or examination at the specialist's office, if the doctor has recommended one. • Other persons in Group 1: <ul style="list-style-type: none"> ➢ Transportation cost to and from acute treatment at a doctor's or a specialist's office, if the transportation takes place in an ambulance. ➢ Transportation cost to and from treatment or examination at a specialist's office, if the doctor has recommended one, but only if the distance from the person's residence to the specialist's office exceeds 50 km. <p>As of August 1, 2014, the national health program only covers temporary stays (up to a year) in the EU and EEA countries (Norway, Iceland, Liechtenstein and Switzerland). If you are travelling outside these countries, you have to take out travelers' insurance privately.</p>	<p>Occupational Health Plan Social Security generally provides adequate coverage, but supplementary health insurance is becoming a product of interest to more people.</p> <p>Nowadays, this type of insurance is often taken out as part of an occupational plan.</p> <p>Medical Expenses Insurance An employee may be suffering from an illness, which requires treatment, but the waiting period for such treatment in the Social Security System is too long. Consequently, the employer can take out an insurance covering payment of medical expenses in connection with said illness (for example, covering treatment at a private hospital, rehabilitation, etc.).</p> <p>Preventive Care The increased popularity of company health plans has led to the introduction of new products in the market with a focus on preventive insurance coverage. The new insurance schemes give access to preventive treatment and thereby ensure that employees stay in their jobs and reduce sickness absence in a period of lack of manpower.</p>

RETIREMENT BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Eligibility The retirement age is not the same for everyone. The timing of when the basic old-age flat-rate pension provided by the State (FP) can be obtained depends on the date of birth. FP can be obtained at the age of 65 for persons who were born on December 31, 1953 or earlier. The age for obtaining FP is gradually increased for persons who are born on January 1, 1954 or later. For a person born on January 1, 1967 or later the retirement age is 69.</p> <p>It is also compulsory for all salaried and hourly paid employees to be members of the ATP (the Labor Market Supplementary Pension Scheme).</p> <p>Benefits As of January 1, 2022, the basic amount is DKK 78,564 per year.</p> <p>The basic amount is subject to a means-test on the basis of income from personal work.</p> <p>Special supplements can be granted in excess of the basic amounts. The supplements are subject to a means-test.</p> <p>Furthermore, as of January 1, 2021, approximately DKK 26,200 is payable annually from ATP (the Labor Market Supplementary Pension Scheme) for persons who have been members of the Scheme from the start (1964).</p>	<p>The average salary for a Danish employee is approximately DKK 325,000. The Danish Social Security System provides fairly modest flat-rate pensions. The average employee receives a retirement pension amounting to not more than 25% of final salary. Normally, a Danish employee is not sufficiently covered by Social Security and requires a private pension program.</p> <p>Level of Savings in a Pension Plan The legislation allows for the possibility of establishing a flexible pension scheme where individual needs can be met within certain limits.</p> <p>The level of savings depends on the size of the insurance coverage during the entire period of insurance; i.e., after the administrative costs and the risk charge have been deducted from the premium, the remainder is held by PFA and bears interest. Please note that new pension plans are mostly based on market rate, and as such, the level of savings may vary due to market fluctuations.</p> <p>This amount is then paid out at retirement, either as installment pension, annuity pension or lump sum benefit on retirement. Installment pensions are generally paid out for a guaranteed period of 10-15 years, and annuity pensions are paid until the insured's death.</p> <p>It is no longer possible to make tax-free payments to a plan that includes a lump sum. Consequently, payments that are made to savings plans after January 1, 2013 will be made to installment and life pension plans.</p> <p>It will still be possible to have an endowment pension paid out on retirement when it comes to endowment plans that were accumulated before the tax reform that took effect on January 1, 2013.</p> <p>Pension Contribution The pension contribution most often amounts to 15% of the pensionable salary. This contribution covers both the premium necessary to provide the risk coverage, the local administration charge, and the savings for retirement.</p> <p>The employer normally pays 2/3 of the contribution and the employee 1/3.</p> <p>The employee has the option of paying further contributions on a voluntary basis – either as a continuous contribution, or as a single premium. The employee may, at any time, change the size of the voluntary pension contribution.</p>

Retirement Benefits – Additional Information

Early Retirement Benefits Due to Special Social or Health Reasons:

With the early retirement reform effective from January 1, 2013, new and stricter rules have been introduced for granting benefits due to health and social problems:

As a result of the new rules, early retirement will no longer be granted automatically to persons under the age of 40.

Instead, persons under the age of 40 must be helped through a holistic approach in order to obtain or retain their connection to the labor market.

Persons below age 40 who have reduced capability to work must go through a job assessment or job rehabilitation program. Also, persons above age 40 should be offered this program.

During the program which can last for max 5 years the person will receive an allowance which is DKK 15,570 per month for a person supporting children and DKK 11,716 for a person not supporting children. In the allowance other income, e.g. a disability pension paid from a pension plan will be offset.

People who are very ill or have severe functional limitations of such a degree that there is no point in trying to develop any work skills are exempted from the above-mentioned approach, and are granted early retirement pension, regardless of age.

The Working Capacity Criteria:

- The working capacity is permanently reduced so that the person is unable to become self-supporting through a profit-earning job meaning that:
 - The working capacity cannot be improved through activity offers, rehabilitation, etc. such that the person is able to become self-supporting
 - On general terms
 - By means of the social chapters of the agreement or
 - On the terms of a flex job

The working capacity will be considered as permanently reduced.

As of January 1, 2022, the Following Annual Pensions are Payable:

The early retirement pension consists of only one benefit, which is fully taxable.

Single pensioner: DKK 232,320

Married and cohabiting pensioner: DKK 197,484

It is possible to apply for a senior benefit. The conditions are:

- there is less than 6 years to the FP age
- you have been on the labor market corresponding to a full-time employee for at least 25 years
- the maximum capacity to work is 15 hours per week

The benefit is the same as the early retirement benefit and is payable until the retirement age is reached.

Voluntary Early Retirement:

In order to obtain the right to voluntary early retirement, membership in a Danish unemployment fund as well as payment of retirement contributions are requirements. The unemployment fund automatically collects the retirement contribution from the age of 30, unless the member has signed out of the scheme. The contributions have to be paid for a maximum of 30 years.

To be entitled to voluntary early retirement, retirement contributions basically have to be paid for 30 years, from the age of 30 at the latest. However, less stringent rules apply to persons who were born before 1978.

Those who have paid contributions to the voluntary early retirement scheme through their unemployment fund can receive an “early retirement certificate” when they fulfill the conditions.

Social Security Benefits and Customary Private Employee Benefits

The early retirement reform has been implemented in accordance with the agreement made in 2011. Its main features are:

- The early retirement period is reduced from five to three years.
- The early retirement benefit is raised to sickness benefit level, which is approx. DKK 232,180 annually.
- Stricter rules on set-off of pension capital against the early retirement benefit.
- A possibility of earning tax-exempt premium for three years – max. DKK 167,196
- The reform applies in full to persons born during the second half of 1959 and onwards. Transitional rules apply to anyone older.

Early retirement (Arne Pension):

On December 21, 2020, the Danish Parliament adopted a legislative proposal implementing the right to early retirement from January 1, 2021. The Danish media have dubbed this right the “Arne” pension as the measure is aimed at ordinary Danes, with Arne being a common Danish male name. For those born during the second half of 1955, the first pay-out can be made on the 1st of January 2022.

The right to an early retirement means that a person can withdraw from the labour market before they have reached the statutory public retirement age, providing they meet the requirement relating to the total number of years on the labour market. To be entitled to retire either 1, 2 or 3 years prior to the public retirement age, the person must have seniority from the labour market corresponding to a total of 42, 43 or 44 years, respectively.

Seniority is achieved through, e.g., customary employment, sickness benefit, maternity leave, paid practical training during a course of education and self-employment. The pay-out corresponds to the full basic amount of the Danish state pension + a pension supplement for a single person. This amounts to approx. DKK 13,740 per month. Which is a relatively low-income level in Denmark. However, this pension can be supplemented with a pay-out from a pension plan.

Early retirement will be paid out if the person applies for it and is entitled to receive it. There are several complex rules relating to offsetting other income and if a person has pension benefits of over DKK 100,000, then the pay-out will be offset against this. However, the complexity surrounding pensions has increased yet again.

The seniority requirement is rising due to the rising public retirement age. For those born after 1964, the seniority requirement will increase by one year and one additional year for those born after 1968.

Funding of Pension Plans:

In Denmark, no matter what type of pension scheme is chosen, funding must be on an individually allocated basis.

Furthermore, it is required that a pension promise must be funded; i.e., it will not be possible to base a pension scheme on a pay-as-you-go basis or on a book reserve basis.

Funding Options

Private Pension Fund:

To start a private pension fund, there must be more than 50 employees at a given place of business. Moreover, private pension funds must be approved by the State Insurance Board. To obtain this approval, the fund must have an authorized actuary.

Private funds require that both employees and management be equally represented on the Board.

The investment options of private funds are rather limited, due to small security markets and restrictions on investments and insurers.

Social Security Benefits and Customary Private Employee Benefits

Private funds are segregated and cannot be reinvested into the assets of the sponsoring company.

The private pension fund must supply the State Insurance Board with an actuarial report every three years to ensure that obligations are being met.

Insured Plans:

Insured plans are based on tariffs that are specific for each insurance company and are approved by the State Insurance Board.

Since July 1, 2021, new policies and increases of premiums on with-profit policies are based on a technical interest rate of -0.5% per year. The last revision of the mortality tables and other technical elements was done in 2010.

Market rate pension plans:

The pension sector has undergone significant changes in the past few years. The old principles of interest were confronted, and the principle of including guaranteed interest rates was strongly questioned. Now, customers will primarily be offered market rate solutions.

This means that from now on, the pension savers will receive the market rate return, applicable at any time.

In PFA, the product is called PFA Plus. PFA Plus has been offered since 2010.

Commercial Banks and Savings Banks:

The pension contribution can be used in three ways:

- The contribution is paid into a normal savings account and increases based on the bank's interest.
- All contributions paid to the bank for pension purposes are put together into a pool and invested by the bank.
- The contribution is used for buying assets at the choice of the employee.

Funding Principle Money Purchase Plan:

The money purchase plan is the most widely used in Danish private pension schemes. Over 95% of employees in private pension plans are most likely covered through a money purchase arrangement. The premium is most often fixed at 15% of the employees' full salary.

The private pension schemes are mostly placed in a market rate product.

Defined Benefit Plan:

In the past defined benefit plans were used almost exclusively by multinational companies for their subsidiaries, but nowadays multinationals establish money purchase plans. Most of the defined benefit plans have been changed into money purchase plans. Pension plans for civil servants are based on defined benefit principles.

Other Social Security Benefits Workmen's Compensation

Danish Industrial Injuries Insurance Act: All persons on the payroll and unpaid assistants are covered under the Industrial Injuries Insurance Act.

The employer pays the entire contribution.

Industrial injury refers to accidents at work and occupational diseases.

As of January 1, 2004, the latest Industrial Injuries Insurance Act took effect. The concept of injury is simplified, since only two terms of injury exist: Accident and Occupational Disease.

Definition of Industrial Injury:

Accident

An accident is a personal injury caused by an event or an impact which happens suddenly or within five days.

Social Security Benefits and Customary Private Employee Benefits

Occupational disease

An occupational disease is a disease which is caused by special influences that certain employee groups experience through their work.

It is only required that medical documentation is available in relation to the correlation between impact and disease.

According to the Act, the benefits are:

- Medical treatment, therapy, etc.
- Compensation for the loss of ability to work.
For total disablement, the annual compensation will be calculated by using a factor set by the Ministry of Social Affairs. As of January 1, 2022, the maximum annual salary used for calculating the compensation is DKK 570,000. The maximal annual compensation is DKK 435,252.
- Compensation for permanent injury.
If the degree of injury is 100%, the compensation, which is paid out as a tax-free lump-sum, will amount to DKK 950,500 as of January 1, 2022.
In very special cases the amount can be fixed at 120 % of salary – maximum DKK 1,140,600.

If the employee has attained the age of 40 or more at the time of the injury, the compensation will be reduced by 1 % per year until the age of 60.

If the employee has attained the age of 60 or more at the time of injury, the compensation will be reduced by 2 % for every year. The maximum reduction is 40%.
- Compensation for the loss of a supporter.
The annual compensation amounts to 30% of the deceased's salary; however not more than DKK 157,320 per year, for a period of maximum 10 years.
- Compensation for surviving relatives
As of January 1, 2022, the compensation is DKK 179,000, paid out in a lump-sum.

All persons may receive an allowance towards their housing expenses. This allowance is based on the total household income and on the size of the principal residence of the pensioner, in proportion to the number of residents. The housing allowance is tax-free.

Maternity Daily Cash Benefits:

In order to receive a daily cash benefit during the period of maternity leave, the person has to fulfill the same requirements as those applicable to the daily cash sickness benefit.

Daily cash benefits are payable for four weeks prior to birth and for 14 weeks after birth.

Fathers are entitled to a daily cash benefit for two weeks within the first 14 weeks after the birth.

After the period of 14 weeks after birth, the parents have the possibility of taking additional leave for a period of 32 weeks, in all (the father may, however, make use of some of the weeks already during the first 14 weeks after birth). The parents are free to share the 32 weeks or to relieve each other, or to take the leave end to end. The payment of full daily cash benefits, however, will be granted for only 32 weeks in total.

All parents may extend the 32-week period by 8 weeks (14 weeks for salary earners). The payment of daily cash benefits will then be reduced proportionately, so that the total payment will not exceed the 32 weeks' payment of daily cash benefits.

Furthermore, salary earners are entitled to postpone a leave period of 8 (minimum) and up to 13 weeks (maximum) out of the above-mentioned 32-week period, to be taken before the child attains age 9.

Family Allowance:

Family allowances are tax-free.

Annual allowance figures, applicable as of January 1, 2020, are as follows:

Family allowance payable to children between ages	Total annual allowance per child
0 - 2	DKK 18,612
3 - 6	DKK 14,724
7 - 14	DKK 11,592
15 - 17	DKK 11,592

Children's Allowance:

Children's allowances are tax-free.

Additional allowances are available from social security. Some allowances are paid automatically, and some must be applied for.

For example, a single parent family will receive an ordinary children's allowance of DKK 6,068 per child annually. In addition, the single family that receives the ordinary children's allowance will receive an extra allowance of DKK 6,184 annually per family irrespective of the number of children. Families who have twins, triplets etc. will receive an allowance of DKK 10,016 p.a. per child for the second, third etc. until the child reaches the age of 7.

The orphan's allowance (where both parents are dead) amounts to a basic allowance of DKK 31,032 per year and possibly a supplemental allowance of DKK 4,008.

Type of Insurance	Contributions	Benefits
Health Insurance	Employer: Tax deductible	Tax-free
	Employee: Taxable income, except for the part of the premium which relates to work-related treatments	
Critical Illness	Employer: Tax deductible	Tax-free
	Employee: Taxable income	
Lump sum disability benefit	Employer: Tax deductible	Tax-free
	Employee: Taxable income	
Disability pension	Employer: Tax deductible	Income tax
	Employee: Not taxable income	
Lump sum death benefit	Employer: Tax deductible	Tax-free
	Employee: Taxable income	
Instalment pension paid out at death	Employer: Tax deductible	Income tax
	Employee: Not taxable income	
Lump sum retirement benefit	Employer: Tax deductible	Tax-free
	Employee: Taxable income	
Instalment pension paid at retirement	Employer: Tax deductible	Income tax
	Employee: Not taxable income, maximum contribution in 2021: DKK 53,800	
Annuity paid at retirement	Employer: Tax deductible	Income tax
	Employee: Not taxable income	

Plan Outlines: Endowment/Installation/Annuity Plan

It is common among foreign parent companies to allow their subsidiaries in Denmark to establish or change established defined benefit plans into an endowment/installment/annuity plan. Some of the reasons for this trend include the flexibility of the plan, the tax efficiency of the plan, and the fact that future costs are known.

Flexibility:

The cover for disability and death may be fixed by the employee himself, within certain limits, and according to his individual needs. The cover can be changed if and when there is a need to change. Furthermore, it is possible for unmarried employees to secure a lump-sum benefit for a possible cohabitant. This has for a number of years been referred to as “cafeteria plans”.

The part of the total premium used for retirement savings was always invested at an average rate. Initially, when the average rate was high, customers were pleased with the return. However, as the average started to deteriorate, most insurance company customers began to look for alternative investment options in order to obtain the same flexibility with the investment part of their benefit plan as with the risk coverage part. In other words, they wanted the flexible ‘cafeteria plan’ when it came to investments.

Thus, today the individual customer most often has the possibility to invest their own part of the pension contribution or possibly more for investment in various funds.

Tax:

At the time of disbursement of lump-sum benefits, at retirement or death, a flat rate tax of 40 % (at present) shall be paid to the tax authorities. The contributions paid into the new “Age savings” product is not tax deductible, and there is a limitation to the contribution amount. In 2022 DKK 54,200 can be paid in for people with 5 years or less until retirement. For other persons DKK 5,500 can be paid in. There will be no taxation upon payment at retirement age. Current pensions are subject to normal income tax.

Please note that the reason why a typical plan in Denmark offers a combination of endowment, installment benefits and annuity pensions, is due to various tax reforms.

For further information, please refer to the section on Taxation.

Legislation:

Please also note that as of July 1, 2021, a new basis of calculation was introduced which means that the tariff interest rate was reduced from 0,5% to -0.5% for all new customers. This applies only to the old pension plans based on a fixed interest rate, as mentioned on page 12).

The Act regarding equal treatment of men and women within the “trade insurances”, which is a result of an EU directive, implies that the prices for insurance benefits must be calculated independently of the gender group the insured belongs to (so-called unisex rating). This basis of calculation applies to all new policyholders after July 1, 1999.

Traditionally, the fact that women live longer than men, has been taken into consideration when fixing the price for life insurance. Consequently, women have paid less for insurance coverage to be paid out in the event of death before a certain age. On the other hand, it has been taken into consideration that men have less risk of becoming disabled. Thus, men have paid less than women for coverage in the event of disablement. This basis of calculation equalizes these price differences.

Sample Employee Benefit Plans

Inheritance and Appointment of Beneficiaries:

On June 1, 2007, the Danish Parliament “Folketinget” passed an Inheritance Act and at the same time, they amended the beneficiary regulations. The legislation took effect on January 1, 2008.

Rights for Spouses and Cohabitants:

Among other things, the legislation improved the spouses’ right to inheritance, and cohabitants in steady relationships have the opportunity to secure each other better, if one of them should die. Furthermore, the Act allows greater freedom of choice when it comes to how you want to secure your dependents.

Key Points of the Legislation:

- The spouse’s right to inheritance has for instance been improved by way of the size of the inheritance. As a starting point, the size of the inheritance from the predeceased has been increased from 1/3 to 1/2.
- Individuals have a better opportunity to dispose of their estate by way of a will. This is done by way of reducing the share – which you are forced to pass on to your spouse and children – from 1/2 to 1/4.
- Cohabitants in steady relationships are able to provide better for each other in the event of death, because it is now possible to set up an extended cohabitant’s will. Furthermore, they can be covered by the beneficiary clause ‘next-of-kin’, provided that it is set up after January 1, 2008.

Example of the Rules on Inheritance:

John and Jane are married. They have joint property and they have a child together. Their estate amounts to DKK 2,000,000. John dies and Jane chooses not to retain the estate undivided.

Previous Legislation	Legislation as of January 1, 2008
Under the previous legislation, Jane’s share of the joint estate amounts to DKK 1,000,000. She inherits 1/3 from John, i.e. DKK 333,333 and with that her assets amount to DKK 1,133,333.	Jane’s share of the joint estate amounts to DKK 1,000,000. She inherits 1/2 from John, i.e. DKK 500,000 and with that her assets amount to DKK 1,500,000.
By way of a will, John’s inheritance to Jane can be increased to DKK 666,667 or reduced to DKK 166,667.	By way of a will, John’s inheritance to Jane can be increased to DKK 875,000 or reduced to DKK 125,000.

Example of the Rules on Beneficiaries:

After January 1, 2008, ‘cohabitant in a steady relationship’ will be listed in the beneficiary clause ‘next-of-kin’.

The previous beneficiary clause ‘next-of-kin’:	The beneficiary clause ‘next-of-kin’ established after January 1, 2008:
<ul style="list-style-type: none"> • Spouse/registered partner • Heirs of the body • Heirs according to will • Other Heirs according to Law: <ul style="list-style-type: none"> (a) parents and their descendants (b) grandparents and their children 	<ul style="list-style-type: none"> • Spouse/registered partner • Cohabitant in a steady relationship if at the time of death, they are cohabiting, and provided that: <ul style="list-style-type: none"> ➢ either they have/have had/are expecting a child together ➢ or they have lived together during the last two years prior to the death. • Heirs of the body • Heirs according to will • Other Heirs according to Law: <ul style="list-style-type: none"> (a) parents and their descendants (b) grandparents and their children

Sample Insurance Package

Insurance cover	Basic cover	Optional cover (incl. basic cover)
PFA Health Insurance	The children and stepchildren who live at home are covered until the age of 24	Spouse's/cohabiting partner's cover
PFA Critical Illness Lump Sum: Children's cover:	DKK 150,000 DKK 0	Up to DKK 750,000 Up to DKK 750,000
PFA Occupational Capacity Regular payouts: Increased regular payouts when job rehabilitation benefit has been granted: Lump Sum: Payment protection cover/waiver of premium (on the savings) *:	A solution where the basic cover depends on the salary of the individual. When the salary changes the basic cover is automatically adjusted Yes DKK 0 Payment protection cover/waiver of premium for compulsory contributions Payment protection cover/waiver of premium for both compulsory and voluntary contributions with payment protection cover	Up to 80% of salary - Up to DKK 500,000 or 200% of salary Can be deselected for the voluntary part
PFA Life Lump Sum: Regular payouts (children's pension):	Lump sum of 300 % of the salary Minimum DKK 0/employees covered by a collective agreement: minimum 100 % of the salary, however, minimum DKK 440,000/DKK 220,000 Regular payouts of 0% of salary	Up to 800% of salary Up to 25% of salary

The cover is effective until the date stated in your pension certificate.

*Certain types of cover may be exempt from payment protection cover/waiver of premium.



Useful Links

- Demographic information: [CIA World Factbook](#) (please select the country to review)
- Macro-Economic indicators: [CIA World Factbook](#) (please select the country to review)
- More information on the IGP Network Partner: [IGP – Your Local Link in Denmark](#)
- PFA Pension: www.pfa.dk



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