



# The Danish occupational pensions model

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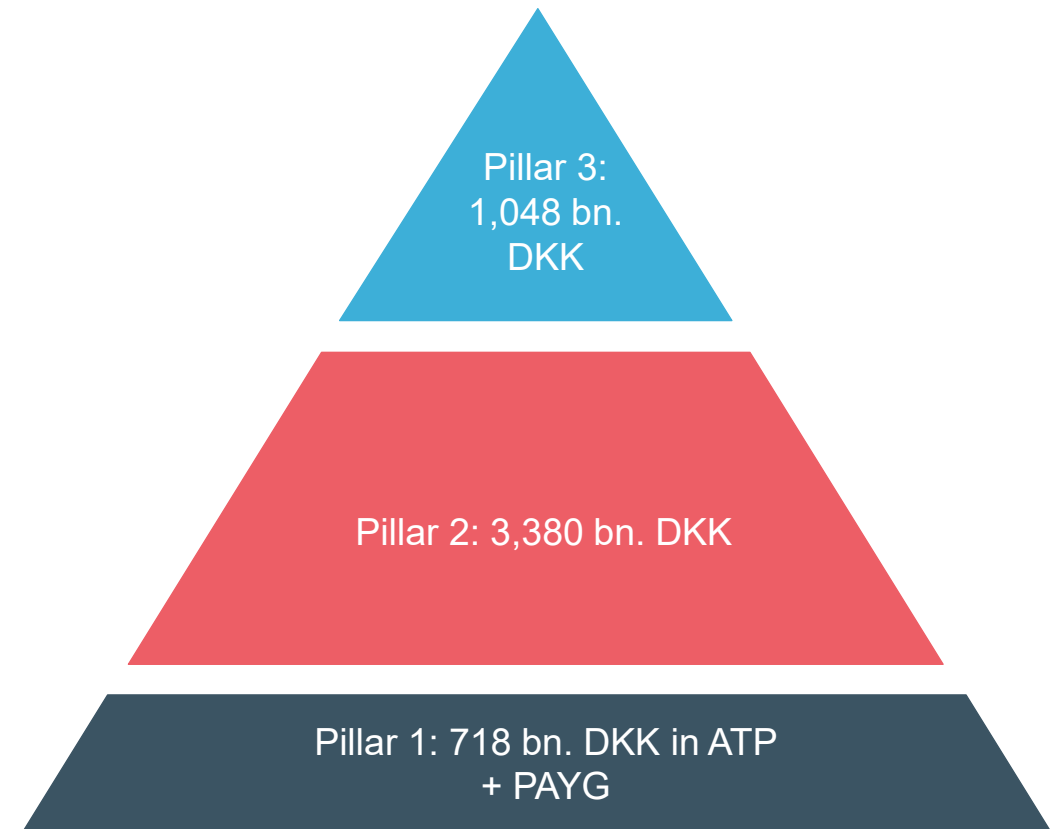
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# Overview of the Danish pension system

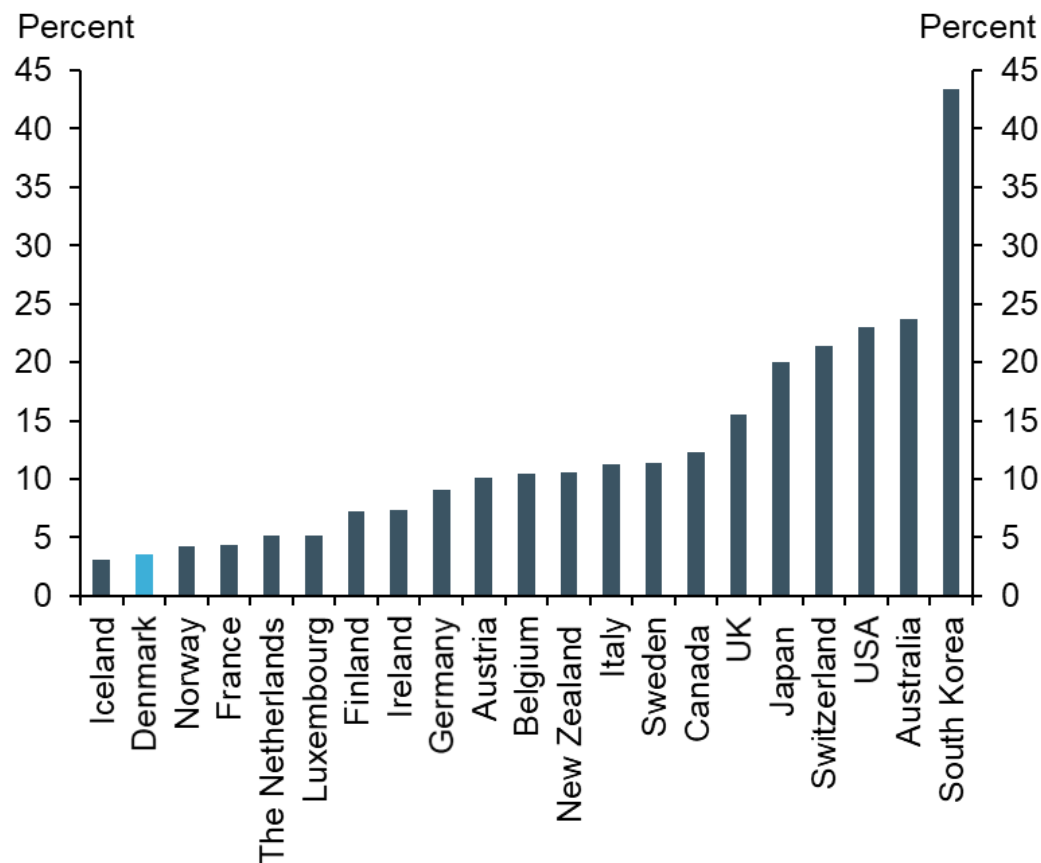
- The Danish pension system is organised into three pillars:
  1. Public old-age pension and a small mandatory funded pension scheme (ATP)
  2. Quasi-mandatory occupational pension schemes
  3. Individual, voluntary pension schemes
- In 2024, total pension assets amounted to DKK 5,146 billion, corresponding to 176 % of Denmark's GDP.

**Figure 1.** The organization of the Danish pension system



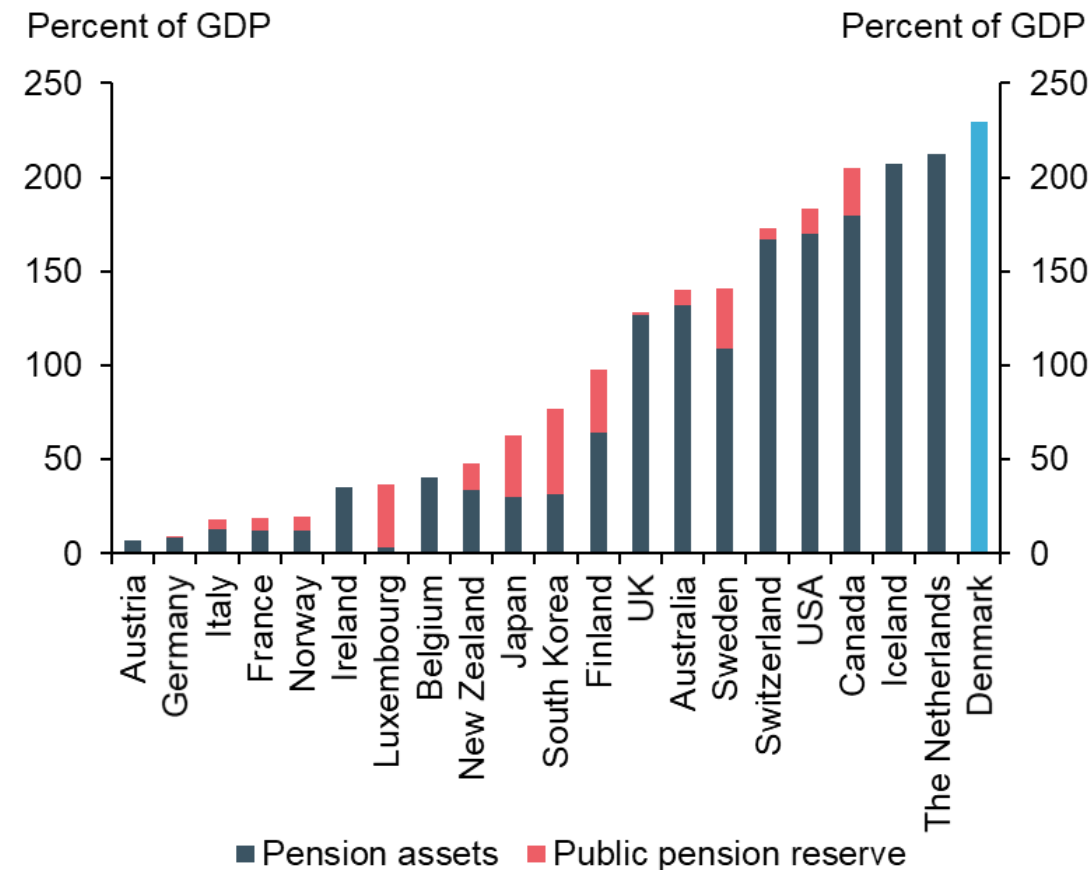
# The Danish pension system is characterized by broad income security

**Figure 2.** Percentage of the 65+ population in the low-income group, 2019



Note: The low-income group is defined as those individuals in the population whose equivalised household disposable income is below 50 percent of the national median disposable income.

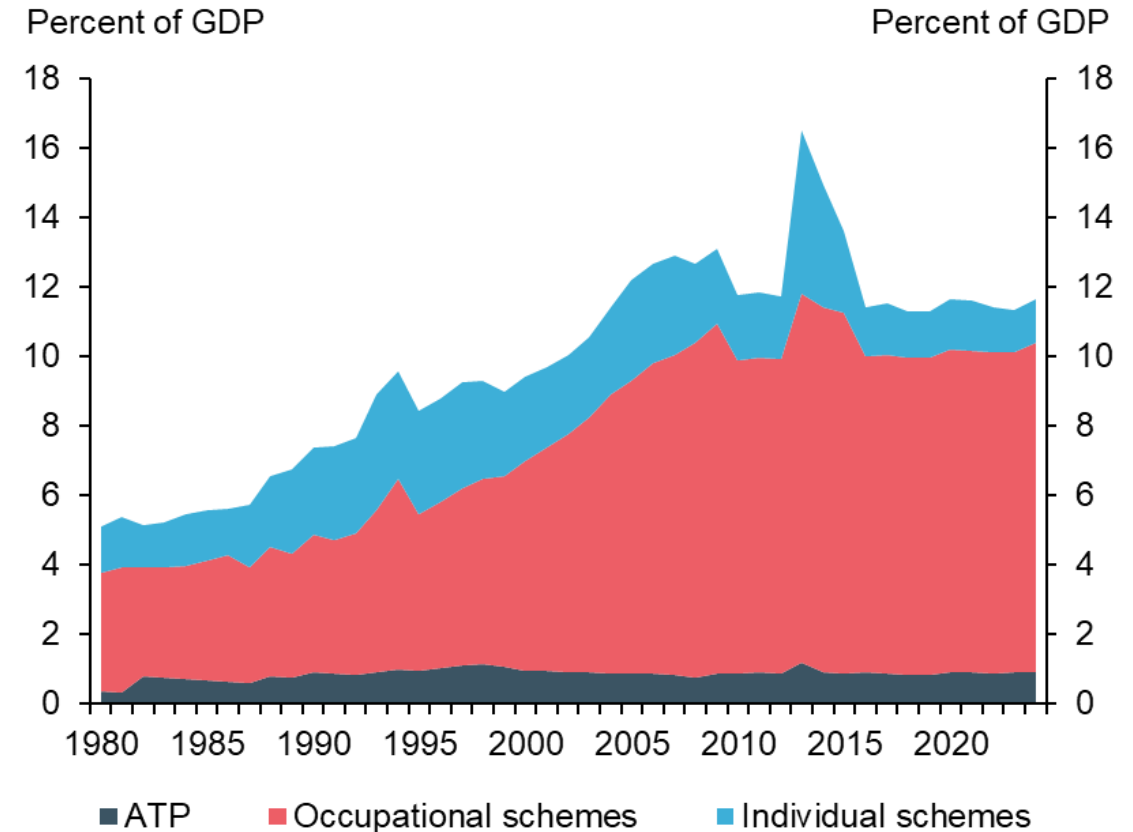
**Figure 3.** Pension assets, 2020



# Introduction of occupational pension schemes in Denmark

- 1964: ATP, a small mandatory funded pension scheme, was established.
- 1987: The Danish government and social partners agreed on a Joint Declaration that introduced occupational pension schemes for large parts of the workforce.
- 2006: Since the late 1980s, the pension system has expanded significantly, resulting in total pension contributions increasing from approximately 5 percent of GDP in 1987 to around 12 percent in 2006.
- Today, around 2/3 of the population aged 16 to 67 contribute to an occupational pension scheme.

**Figure 4.** Contributions to pension schemes



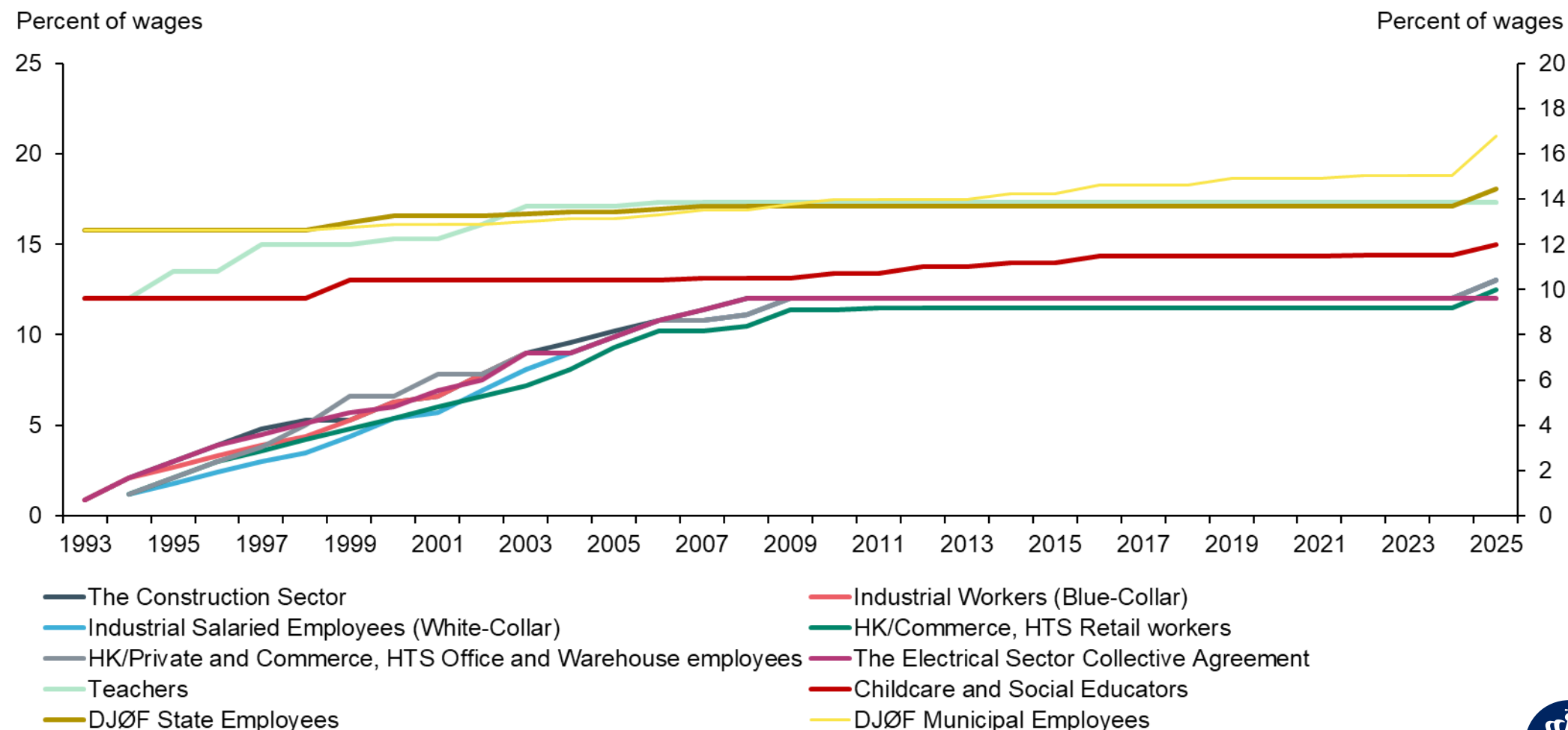
Note: In 2013, a new pension product was introduced. Contributions in the following years include transfers from other pension products to the new product.



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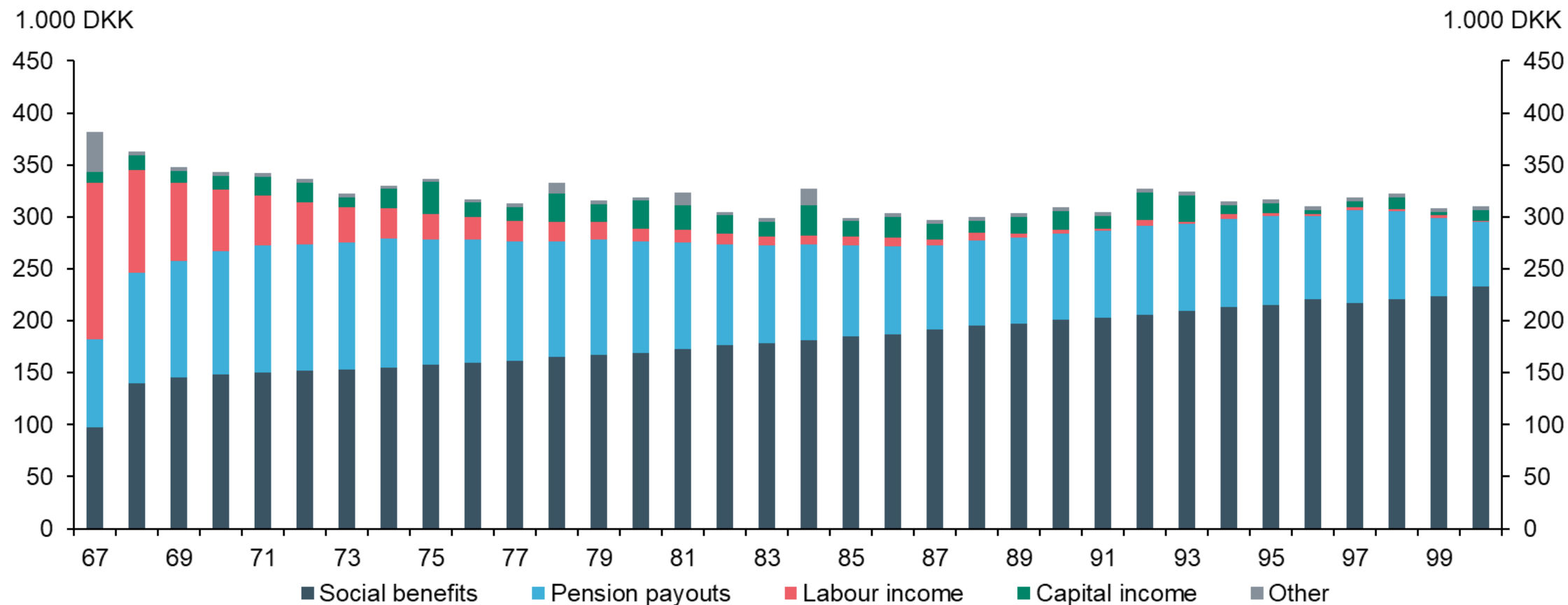
# Pension contribution rates are determined as part of sector-level collective bargaining and differ across sectors and occupations

**Figure 5.** Contribution rates to occupational pension schemes by occupational groups



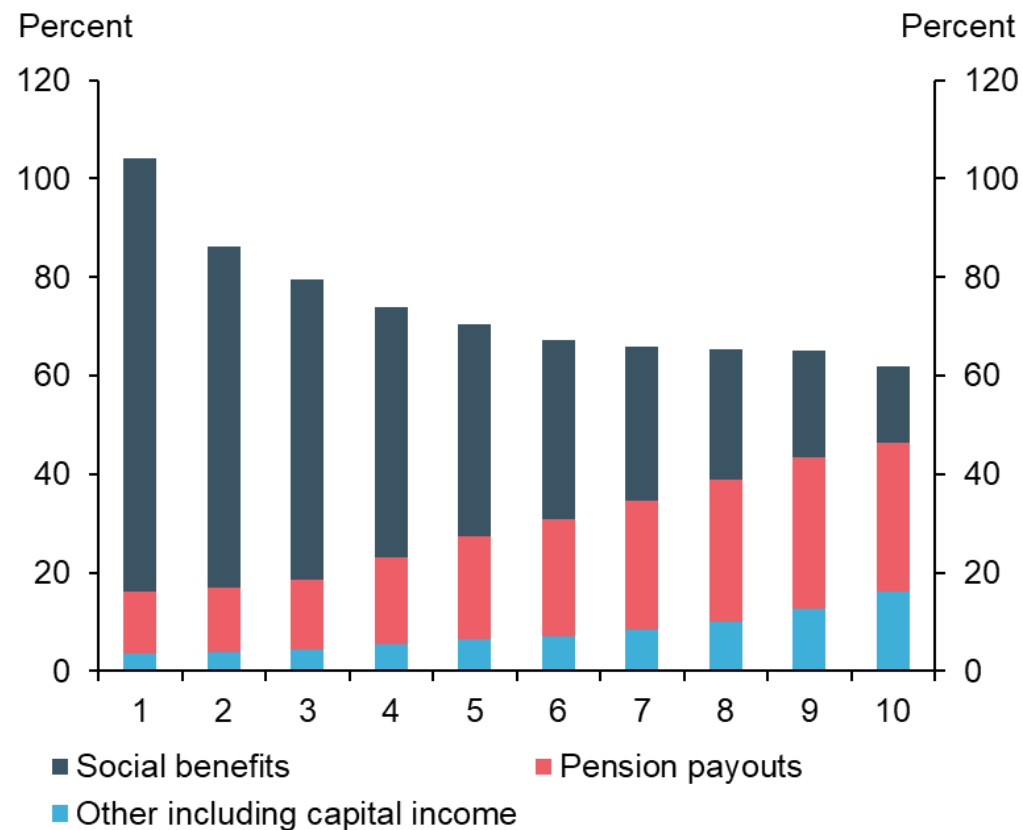
# Means-tested public pensions provide income security as people age...

**Figure 6.** Mean annual income before tax for people above the statutory retirement age, 2022



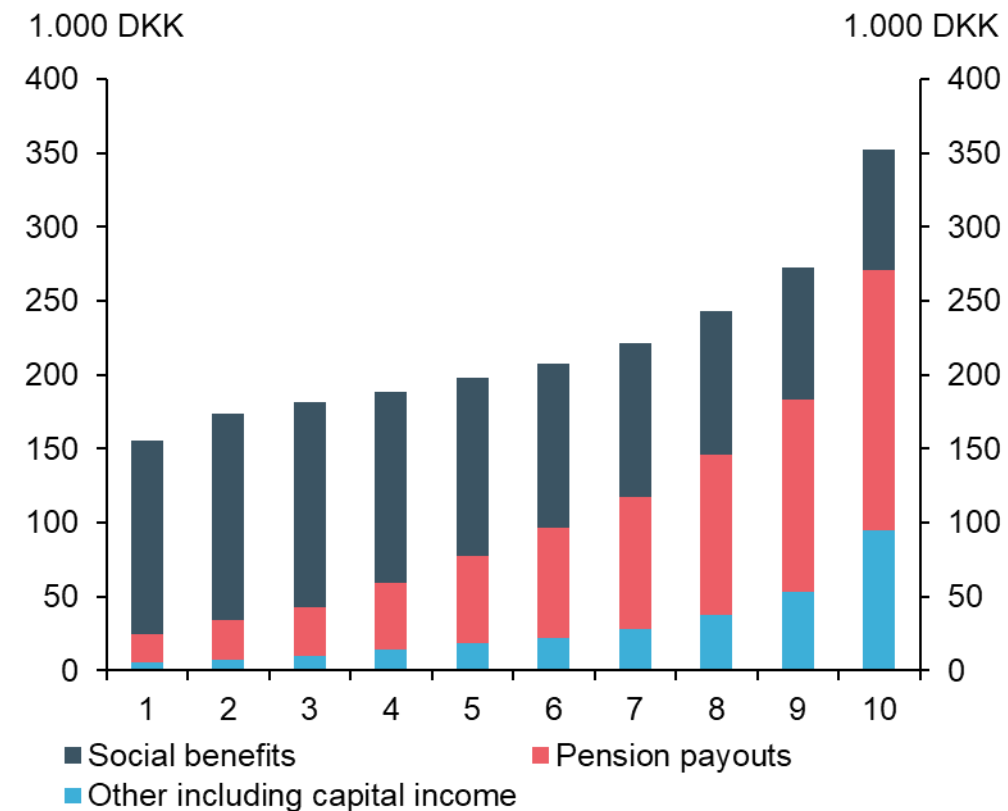
# ... and insurance and redistribution across the income distribution

**Figure 7.** Replacement rates by income decile before retirement, 68-year-olds in 2022



Note: The replacement rate is calculated as the disposable income at age 68 relative to the average disposable income observed at ages 57 to 59.

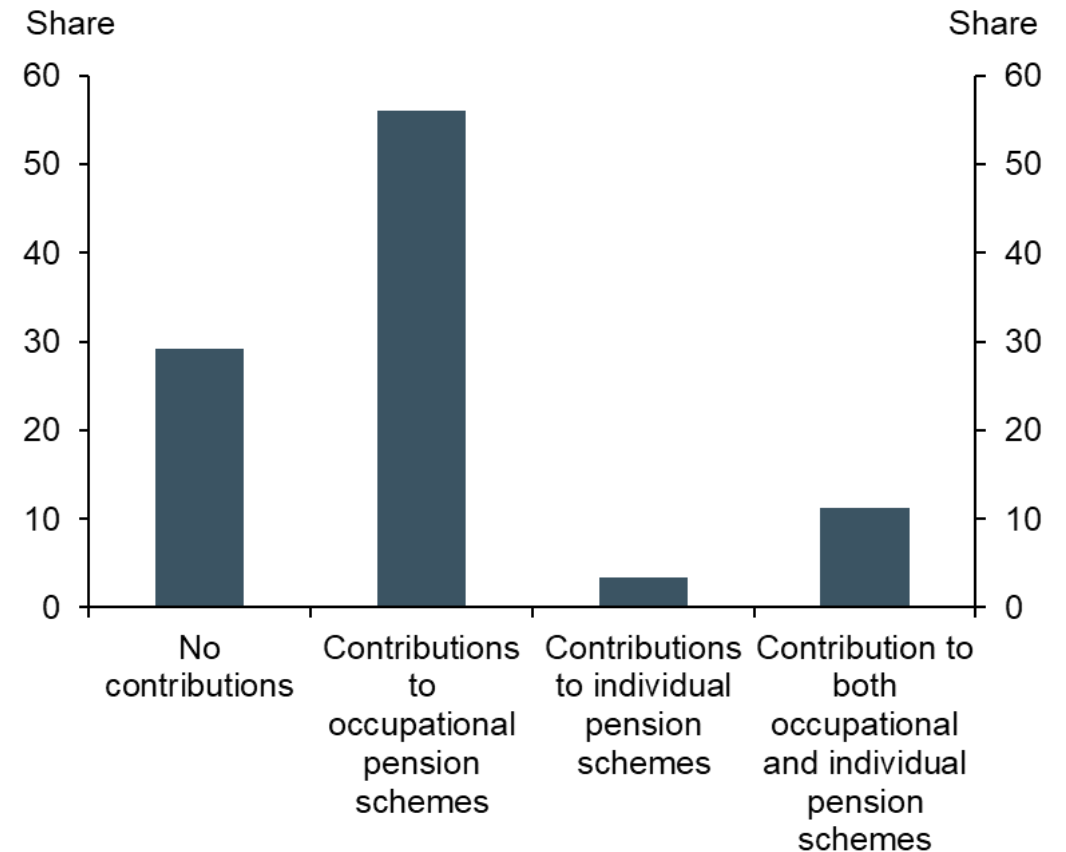
**Figure 8.** Disposable income by income decile before retirement, 68-year-olds 2022



# The future and potential challenges to the Danish pension system

- The funded occupational pension system is still maturing (all pensioners will have made pension savings over a full work life around 2050-2060).
- In 2020 the government introduced mandatory pension saving for recipients of public benefits (contributions are made to ATP). Contributions will reach 3.3 % of benefits in 2030.
- The majority of the adult population is covered by funded pension schemes.
- Employees and self-employees not covered by an occupational pension scheme often do not contribute to any pension scheme.
- From a public sector perspective, it is beneficial when people save for retirement through pension schemes, as pension payouts lead to offsets in public pension benefits.

**Figure 9.** Share of the population aged 16 to 67 contributing to a pension scheme in pillar 2 or 3, 2023



Note: Contributions to ATP (pillar 1) is not included in the figure.



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