



The evolution of the Danish pension system

Insurance & Pension Denmark head of pension policy, Lotte Katrine Ravn, discusses why there's no missing or hidden master plan to the success of the Danish pension system, but rather the result of three historical milestones

At the end of 2025, the European Commission published recommendations to EU member states on how to increase pension savings among citizens. These recommendations – encouraging auto-enrolment, greater transparency, and improved IT solutions – are to a large extent inspired by Denmark's success in developing a long-term sustainable pension system.

This is something Denmark can take pride in. Our pension system generally functions well, but its success is not coincidental. It is the result of visionary politicians and social partners who, nearly 40 years ago, recognised the potential of collectively agreed pension savings, combined with successive governments that supported this development through legislation. Timing and favourable economic conditions have also played a role.

The success of the Danish pension model can be illustrated through three historical milestones.

Milestone 1:

During the 1980s, Denmark faced

severe economic challenges, including balance-of-payments deficits, high inflation, and rising unemployment. In response, the social partners and the government concluded 'the joint agreement' in 1987, laying the foundation for occupational pension schemes. As part of wage increases, contributions were redirected into pension savings rather than paid out as wages, helping reduce inflation, boost savings, and relieve public finances. Politicians simultaneously ensured through legislation that pension saving would always be financially attractive.

Initially, contributions were modest (0.9 per cent in the private sector), but they have since increased to around 13 per cent of wages. This growth was supported by strong economic performance in the 1990s and 2000s, which allowed room for both real wage growth and higher pension contributions.

Milestone 2:

A second key reform was the introduction of longevity indexation in 2006, linking the state pension age

to life expectancy. This mechanism has been central to maintaining high labour force participation and ensuring the long-term sustainability of public finances. The pension age is currently 67 and is set to increase to 70 by 2040. Every five years, parliament decides whether to adjust the pension age in line with the indexation mechanism.

Milestone 3:

Over the past decade, the pension market has shifted from guaranteed DB schemes to unguaranteed DC schemes. This transition was partly driven by a political agreement between the Minister for Business and Industry and Insurance & Pension Denmark in 2012 and by prolonged low interest rates, which made it difficult for pension providers to offer attractive guaranteed products. Unguaranteed schemes have indeed delivered higher average returns: from 2018 to 2024, guaranteed schemes grew by 4.6 per cent annually, compared with 7.2 per cent for unguaranteed schemes.

As investment risk increasingly rests with individuals, transparency and comparability have become even more crucial. Insurance & Pension Denmark has therefore developed a digital tool that provides citizens with a full overview of their pension arrangements.

Denmark's strong pension system is the result of a series of well-timed decisions rather than a single reform. While the model cannot be copied directly, one lesson is clear: successful pension reform requires broad political consensus, strong stakeholder support, and patience – since pension savings accumulate over an entire working life.