



## Better terms and conditions ahead for early retirees

**Until now, deductions have been made in the early retirement pension because of the partner's salary. That will soon be at an end and can provide savings on employees' insurance coverage.**

*By Martin Wex*

The Danish Parliament has adopted new rules on public pensions – including early retirement pensions. As of 1 January 2023, the early retirement pension will no longer have to be reduced due to the spouse's or cohabitant's annual salary.

»The previous rules have resulted in relatively large deductions for early retirees with a working spouse or cohabitant, so the new rules are very good news for this group of people, as they will receive significantly higher amounts in public early retirement pension in the future,« says pension expert Nicolai Olsen from WTW.

The financial gain depends on the chosen insurance coverage and on the spouse's / cohabitant's annual salary.

| Annual gain from new rules on early retirement (DKK) |                                       |                                  |                              |             |
|--|---------------------------------------|----------------------------------|------------------------------|-------------|
| Annual payment from the insurance                    | Spouse's / cohabitant's annual salary | Current early retirement pension | New early retirement pension | Annual gain |
| 200,000  | 400,000                               | 135,384                          | 176,808                      | 41,424      |
|  | 500,000                               | 105,384                          | 176,808                      | 71,424      |
|  | 600,000                               | 96,228                           | 176,808                      | 80,580      |
| 300,000  | 400,000                               | 105,384                          | 146,808                      | 41,424      |
|  | 500,000                               | 75,384                           | 146,808                      | 71,424      |
|  | 600,000                               | 66,228                           | 146,808                      | 80,580      |

**EARLY RETIREMENT** The table shows examples of the annual gain in DKK before tax as of 1 January 2023 – depending on the chosen insurance coverage and on the spouse's / cohabitant's annual salary.

The new rules may provide relatively large annual gains, but the insurance terms and conditions often contain paragraphs that limit the total payment – from the public sector and from the insurance company –

to a maximum of 100 percent of the original salary. Therefore, the payment from the insurance company will, in many cases, be reduced if the total compensation exceeds the former annual salary.

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**Nicolai Olsen** | Pension Expert, WTW

»Therefore, you should check the insurance conditions before you celebrate the prospect of higher payments,« says Nicolai Olsen.

### Lower insurance coverage

The new rules do not only affect the current early retirees, but also employees who are covered by a pension scheme that includes cover for loss of earning capacity. When there is no deduction in the early retirement pension in the future, there will not be the same need for insurance coverage if you are looking to maintain your current income level.

»When you can get a larger payout of public pension – if you are in a relationship – then you can settle for a lower insurance coverage in case of loss

of earning capacity. With annual gains of up to 80,000 Danish kroner, there will be several thousand in annual savings on the insurance premium, and that money will instead go towards the retirement savings,« says Nicolai Olsen.

The exact amount depends on the chosen insurance coverage and on the partner's annual salary but will generally increase with the chosen coverage and the partner's salary.