



## Pension for academic employees at universities and similar institutes

As an international employee according to the collective agreement, you can choose from different options regarding your pension scheme. Each scheme has its advantages and disadvantages.

In this folder, you will find descriptions of the two pension schemes which you can choose from. After you have read the descriptions, you are requested to inform your employer which option will be most relevant for you.

Please also note that there are certain requirements that you must meet in order to be eligible for the different schemes. Your employer will inform your pension fund which pension scheme you have chosen. No matter whether you choose one or the other pension scheme, you will find that your pension scheme is a way of saving capital for your future and also an insurance policy that comes into effect from the first day of your employment. The insurance coverage consists of:

1. Disability insurance which will provide you with financial security should you lose your ability to work.
2. Partner/children's pension which will provide your family with financial security in the event of your untimely death.

The insurance cover is flexible and can be arranged to match your personal situation. For more information, you will need to contact your pension fund.

The coverage is the same, whether you choose one or the other pension scheme that are described beneath, whereas the taxation is dealt with differently dependent on which pension scheme you choose.

### Ordinary pension contribution scheme

According to the collective agreement that covers all academic staff, your employer will transfer a monthly pension contribution to the relevant pension fund calculated as 17.1 % of the base salary + pensionable supplements. In relation to PhD fellows, the monthly contribution to the relevant pension fund will be calculated as 17.1 % of 85 % of your basic salary.

In Denmark, pension contributions are exempt from taxation when they are paid into the pension fund. This means that you will not need to pay tax on pension contributions transferred to your pension fund. Instead, tax will be deducted when you request for your pension savings to be paid out.

If you choose to take out your pension savings before you reach the age of retirement, the current taxation rate is 60 %. If you choose to take out your pension savings when you reach the age of retirement, the taxation rate will depend on your tax situation and the prevailing pension tax legislation at that time.

However, you have the possibility to choose a pension scheme under section 53 A of the Pension Taxation Act even though you are submitted to normal Danish income tax. Choosing the 53 A pension scheme, your pension contribution will be taxed at the tax rate according to your Danish tax card. The taxation rate will typically vary between 37 and 42 %.

The point is that you can withdraw your pension savings – having a pension scheme under section 53 A of the Pension Taxation Act – without the 60 % taxation rate.

### **Ordinary pension contribution with taxation – section 53A of the pension taxation act**

Under this scheme, your employer will transfer a monthly pension contribution to the relevant pension fund, calculated as 17.1 % of your base salary + pensionable supplements. In relation to PhD fellows, the monthly contribution to the relevant pension fund is calculated as of 17.1 % of 85 % of your basic salary. However, when the pension contribution is made to your pension fund every month, it will be taxed immediately according to your current tax status. This means that every month you will pay tax on the monthly pension contribution.

If you are under the researcher taxation scheme with a flat rate of 26 % tax (plus 8 % labor market contribution), your pension contribution will be taxed at approximately 32 % every month. If you are not eligible for the researcher taxation scheme, you will be taxed at the tax rate according to your Danish tax card. The taxation rate will typically vary between 37 and 42 %.

Whether you request your pension savings to be paid out at the end of your employment or you keep your savings in your Danish pension fund until you reach retirement age, all tax related to the pension that you earn while employed by the university will already have been paid. You can, therefore, take out the payout amount without paying any additional taxes.

Please note that bonus added to your section 53A pension scheme is subject to normal Danish income tax, which typically varies between 37 and 42 %.

### **Important:**

**If you are under the researcher taxation during your stay in Denmark and choose to have a pension scheme; it does not make sense to choose the “ordinary pension contribution scheme” as your pension contribution will be taxed every month.**

In order to be eligible for section 53A:

- You must be employed in accordance with the Collective Agreement concerning Academic Staff Employed by the State.

### **Pension exemption**

The Danish Ministry of Finance and the Danish Confederation of Professional Associations (AC) have agreed on a new protocol that makes it possible for all international researchers employed by the a University or a similar Institute to be exempted from paying pension contributions.

This means that an amount equivalent to the pension contribution, calculated as 17.1 % of your base salary + pensionable supplements, will be paid out together with your monthly salary. This amount will be taxed according to your current taxation status, whether you are covered by the researcher taxation scheme or taxed on the basis of an ordinary Danish taxation rate.

In order to be eligible for pension exemption, you must meet the following requirements:

- Employment as a researcher, research assistant, PhD fellow, postdoc, assistant professor, associate professor or professor.
- Non-Danish citizenship.
- Fixed-term employment – maximum of five years.
- Recruitment directly from outside Denmark.

If your employment as a researcher is extended, or if you change your place of employment from one university to another Danish university, the pension exemption will remain in effect for a maximum total term of five years (six years if agreed with your trade union representative and your department).

The pension exemption agreement cannot be retroactive. This means that any pension contributions already made by the employer to the relevant pension fund are irreversible.

If you choose pension exemption instead of the ordinary pension contributions you should be aware that you will not benefit from the insurance coverage that comes with the pension scheme. It is therefore advisable that you consider taking up additional private insurance. You will only be covered by the mandatory group life insurance policy which provides basic insurance in the event of critical illness or death.

You can read more about the mandatory group life insurance here:

[www.fg.dk/DA/Toolbar/English.aspx](http://www.fg.dk/DA/Toolbar/English.aspx)

It is advisable that you consider which pension contribution you prefer prior to your employment. If you choose one scheme and want to alter your choice at a later date, you must inform your employer. The employer will then register the change, which will take effect from the following month's salary payment and the employer will notify the pension fund about this change. Keep in mind that retroactive changes are impossible.

Please note that unless you have informed your employer about your wishes in terms of pension scheme, you will automatically be placed on the ordinary pension scheme.

### **Termination of employment – leaving Denmark**

When your employment ends and if you leave Denmark, you have 2 options.

- You can let your pension savings stay in your pension scheme and claim the disbursements started when time is due.
- You can withdraw your pension savings when you leave Denmark.

Taxation of disbursement of your pension – whether you have policy payout or a withdrawal of your pension savings – is mentioned in a previous section above.

### **Joining the pension fund**

When you have chosen which pension scheme to join, you have to inform your employer. Afterwards your employer will take the necessary step to send the monthly contribution to the pension fund together with instruction about which pension scheme you have chosen. When we have received the first contribution from your employer, we will send you a welcoming letter with further information including a summary of your pension rights.

**Please note** that – for the sake of the Danish tax authorities – we need to have information of place of your birth (city and country) if you choose a pensions scheme under section 53A of the Pension Taxation Act.

### Contact the pension fund

You are of course always welcome to contact us if you need further information about the options described above, or if you need specific calculations e.g. in relation to any adjustment of your pension scheme.

### **MP Pension (Pension fund for Danish M.A.'s, M.S.'s and Ph.D.'s)**

Telephone number: +45 39 15 01 70

Mail address: [Post@Unipension.dk](mailto:Post@Unipension.dk)

Website: [www.mppension.dk](http://www.mppension.dk)

### **JØP (Pension fund for Lawyers and Economists)**

Telephone number: +45 38 18 87 00

Mail address: [Joep@Pplus.nu](mailto:Joep@Pplus.nu)

Website: [www.joep.dk](http://www.joep.dk)

### **DIP (Pension fund for Engineers)**

Telephone number: +45 82 33 00 00

Mail address: [Dip@Pplus.nu](mailto:Dip@Pplus.nu)

Website: [www.dip.dk](http://www.dip.dk)