alecta

Assistance in formulating annual financial statement texts according to IAS 19

Why are the premises for reporting ITP 2 in Alecta as a defined benefit plan not fulfilled?

For the majority of the earned pension benefits, Alecta has no information in terms of the distribution of the earned benefits according to an individual's various employers. All of the earned benefits are, instead, registered with the final employer. Consequently, Alecta lacks the possibility of establishing an exact distribution of assets and provisions to the respective employers.

In addition, there is no all-inclusive, adopted framework for the manner in which any possible surplus or deficit arising in the plans is to be treated.

To what degree can an employer be held responsible for losses on pension benefits incurred with other employers?

There is no all-inclusive, adopted framework for the manner in which a loss is to be handled, but on the first hand, losses are covered by Alecta's collective consolidation capital and, therefore, do not result in increased costs through increased contractual premiums.

How are the ITP 2 premiums calculated?

The monthly premium is calculated per insured and type of benefit. The premium is calculated on the basis of Alecta's assumptions regarding interest rates, life expectancy, operating costs and yield tax, and is calculated in order that the payment of a consistent amount of premium up to retirement is sufficient to ensure that the entire, targeted benefit, based on the insured's current pensionable salary, is, in fact, earned.

How large is Alecta's surplus and how can this impact the employers' premiums in the future?

The collective funding ratio measures distributable assets in relation to insurance commitments. The insurance commitment is comprised of guaranteed commitments and allocated rebates to the insured and policy holders, calculated according to Alecta's technical methods and assumptions, which differ from the methods and assumptions applied in the valuation of defined benefit pensions according to IAS 19.

According to Alecta's consolidation policy for defined benefit insurance, the collective funding ratio is usually allowed to vary between 125 and 175 percent.

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The following limits are applied for distribution of refunds

- 125 percent – Lowest limit for indexation of pensions in payment
- 135 percent – Lowest limit for indexation of paid-up policies
- 150 percent – Lowest limit for premium reduction
- 175 percent – Lowest limit for other refunds to policy holders

With a low funding ratio, one measure to increase the ratio can be to increase the price of newly subscribed benefits and benefit increases.

For information regarding Alecta's current collective consolidation level for defined benefit insurance, see alecta.se.

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