

Press Release

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Alecta to reduce ITP charges

Alecta, formerly Försäkringsbolaget SPP, ömsesidigt, has decided to reduce ITP charges by approximately 15 percent in order to reduce the continued growth in its surplus funds.

“With this decision Alecta is taking a step towards reducing the surplus and simplifying its procedures. As a result of the Swedish Financial Supervisory Authority’s partly new application of the rules, we can now reduce these charges to the benefit of our client companies and their employees,” says Lars Otterbeck, President of Alecta.

For many consecutive years Alecta has created a surplus in its managed pension assets in the ITP Plan. At the end of 2000 this surplus amounted to SEK 71.9 billion.

“Basically a surplus provides confirmation that an insurance company has managed its assignment well,” Lars Otterbeck states. “But the surplus must also be in balance with pension commitments.”

Alecta has completed the previously decided evaluation of the surplus funds policy which was originally adopted in December 1998. The evaluation has resulted in a decision by Alecta’s Board to change the spread and reduce premiums. Otherwise the policy remains unchanged. The Board may consider further changes to the surplus funds policy at a later date.

The spread for the normal solvency margin, i.e. the buffer that is required over and above the estimated value of future pension payments, will be increased from 10 – 20 percent to 10 – 30 percent of pension commitments. This is being done to make the system more secure despite rising fluctuations in investment return and to meet new accounting requirements in the Swedish Insurance Business Act.

At year-end 2000, the collective solvency margin was 127 percent. No new allocation of surplus funds will be made at present.

At the same time, a review is being started at Alecta of the rules and routines for repayment of funds out of the accumulated surplus.

For additional information:

Lars Otterbeck, CEO, +46 8 441 66 60

Cecilia Schön Jansson, Senior Vice President, Corporate Communications, +46 8 441 93 50
or +46 70 526 93 50

Alecta develops, offers and manages collectively agreed pension plans. The company’s core business is the occupational pension ITP, which is based on a collective agreement between the Swedish Employers’ Confederation (SAF) and the Federation of Salaried Employees in Industry and Services (PTK). Alecta is the largest manager of pension assets in the Nordic region with SEK 350 billion in assets under management. In recent years Alecta has developed extensive competence in the area of health and rehabilitation. Alecta has 600 employees who provide service to 28,000 client companies and administer 1.4 million insurance contracts. Annual premium income amounts to more than SEK 15 billion.