

The Society of Actuaries in Ireland

Press Release

Older Retirement Age Most Effective Way to Reduce Cost of State Pensions

The most effective way to reduce the cost of State pensions, which is expected to more than double by 2050, would be to raise the retirement age. This is one of the key findings that will be presented to a major conference on ageing that the Society of Actuaries will host next month (October 8th). The Society's Population Studies Working Party has looked at the impact of (a) increasing the retirement age gradually until it reaches age 70 by 2025 and (b) continuing to increase the retirement age to reach age 75 in 2050. The retirement age would need to be increased to at least age 70 to have a significant impact on future costs.

Improvements in life expectancy, together with falling birth rates, mean that older people will make up a much greater proportion of the population. At present, less than 500,000 people are over 65; by 2050, more than 1.25 million people will be over 65. By 2050 there will be only two people of working age for each pensioner, whereas there are currently almost six people of working age for each pensioner. As a result, it is forecast that the cost of providing State pensions will increase from a current level of 2.9% to 7.9% of GDP.

If the retirement age was increased to age 70 by 2050, the projected pensioner support ratio would increase from 2 to 2.78. If the retirement age was increased to age 75 by 2050, the projected pensioner support ratio would increase to 4.40. Increasing the retirement age would be consistent with increases in life expectancy.

The State Retirement Age of 65 dates back to 1925 when the remaining life expectancy for a 65 year old was 11.6 years for men and 12.2 years for women. Based on recent demographic trends, the Society's Working Party estimates that a man aged 65 in 2002 can expect to live for another 18.3 years, while a woman aged 65 in 2002 can expect to live for almost 22 years, allowing for continuing improvements in mortality rates. This is an increase of almost 7 years for men and almost 10 years for women. Further improvements in life expectancy are expected over the next 50 years.

The Society of Actuaries conference, "Ageing Population: Facing the Challenge", will also include a paper from leading UK gerontologist Professor Tom Kirkwood who will address what is currently happening to human longevity and how factors such as genetics, nutrition, lifestyle and environment affect the individuality of the ageing process. The implications of population change for public finances, health care costs and pensions will also be discussed.

Ends

25/09/2003

Note to Editors: The Society of Actuaries half-day conference, ‘Ageing Population: Facing the Challenge’, will be held in the Shelbourne Hotel from 9am on October 8th September. Details are available from the Society’s offices: phone 01-660 3064: www.actuaries-soc.ie

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Society of Actuaries in Ireland

The Society of Actuaries in Ireland is the professional body for actuaries practising in Ireland, many of whom work in the pensions and life assurance industries. The Society aims to develop the role and understanding of the actuarial profession and to enhance its reputation, in particular for serving the public interest.