



PRESS RELEASE

Many people underestimating life expectancy: not saving adequately for retirement

50% of those retiring now could be expected to live to, or beyond, 90

Radical changes needed to increase the take-up of private pensions

Many people are underestimating their life expectancy and as a result are not saving adequately for retirement. This is one of the key points made by the Society of Actuaries in its submission to the National Pensions Review which is being carried out by the Pensions Board for the Minister for Social and Family Affairs.

Expressing concerns about pensions coverage and the adequacy of current pension provision, the Society's submission (published today, September 20th, 2005) has recommended a simplification of the current system and a number of changes to the regulation of defined benefit pension schemes. It has also supported the current system of encouraging rather than obliging people to contribute to private pensions. However, the Society of Actuaries says that radical changes are needed to increase the take-up of private pensions including the simplification of PRSAs and the possible introduction of a national long-term savings scheme modelled on SSAs.

The Society's submission states that people generally underestimate their life expectancy in retirement and, consequently, the level of savings required to provide an adequate pension, and that continuing increases to life expectancy are likely to exacerbate this problem. Irish men and women aged 65 in 2001 are expected to live until age 83 and 86 respectively. However, the Society points out that these are average figures, and many people will live until much later ages. According to an analysis of life expectancy in the UK, which is regarded as similar to Ireland, just over 50% of those retiring now could be expected to live to, or beyond, 90.

Mr Liam Quigley, chairperson of the Society's pensions committee and one of the authors of the submission, adds, *"It is suggested that an individual retiring at age 65 needs to aim for a retirement fund of ten times' salary in order to provide a pension of 50% of salary. This simple target is easier to explain than the traditional funding rates and recognises the diversity of savings opportunities available beyond pensions. Therefore, it encourages individuals take a more holistic approach to retirement savings. It would be helpful if this simple methodology were to be adopted widely as a way of educating people about the real cost of pension provision."*

More flexibility from the State and employers towards retirement planning is also required."



The Society also advocates a number of changes to the regulation of defined benefit pension schemes including improvements to provide more protection for active and deferred members, particularly those who are close to retirement.

“Although we gave very careful consideration to compulsory pensions, the Society’s view is that the Government should not make it compulsory for people to contribute to private pensions,” Mr Quigley added.

“We believe it is too early to judge whether voluntary private saving – combined with the current State pension - can deliver on the Government’s goals for pension coverage.”

End of press release

The Society’s submission to the Pensions Board and the briefing statement on life expectancy are attached and are also available at:

<http://www.actuaries.ie/Press%20Office/BriefingStatementsListing.htm>

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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.