



Society of Actuaries in Ireland

Press Release

17th December 2015

Society of Actuaries publishes research report on the Financial Sustainability of the State Pension in Ireland

“The State pension system is unsustainable in its current form but there is no easy solution to improve its sustainability.” This is the key finding of a new report commissioned by the Society of Actuaries in Ireland (the Society), and PublicPolicy.ie.

Milliman, an actuarial consulting firm, was tasked with researching and analysing the sustainability of the State pension in Ireland, with a view to informing debate and public policy decisions.

Milliman concluded that the State pension is not sustainable in its current form and would need revision in order to make it sustainable. As part of their research, Milliman also considered what aspects of the current State pension could be revised in order to make it sustainable in the longer term. Their report points out that all of the possible options considered involve difficult policy choices. They stated their view that “increases in the retirement age should be a part of the solution, but only provided life expectancy continues to increase. In addition, changing the approach to pension indexation appears the most promising option in terms of containing the projected growth in pension outgo, but at the cost of reducing pension adequacy over time. The reduction in the level of the State pension could, however, be offset by the introduction of a universal second pillar pension system; the impact on the overall net Exchequer cost will then depend on the financing arrangements for the second pillar system.”

The view of the Society of Actuaries in Ireland

The Milliman report adds to the growing body of research that highlights the unsustainability of the State pension system and leads to the conclusion that “doing nothing” is not an option.

When considering options to make the State pension more sustainable, the Society believes it is appropriate to have regard to the wider objectives of the State pension within our overall pension system and to ensure that the achievement of those objectives is maintained. In particular, a key objective of the State pension should be to provide a secure level of income in old age, which is sufficient to limit the risk of poverty amongst the elderly. The Society of Actuaries also believes the State pension system:

- Should not ask current members of the workforce to contribute to schemes where they may not receive benefit in the future and

- Should not require the State to divert funds from other critical sectors, such as Health and Education, so as to ensure that benefits can be maintained.

Milliman’s analysis provides useful insights into how various aspects of the State pension system could be varied to reduce future costs and improve sustainability. Some of the options considered, if implemented in isolation, could greatly undermine the objectives of the State pension, particularly in relation to its role in limiting poverty in retirement. As a result, steps needed to achieve sustainability may also necessitate other measures, such as facilitating other means of retirement income.

The Society believes that the issues highlighted by Milliman within the research paper need full and proper attention and debate. Action needs to be taken by policymakers to prevent a potentially severe situation arising in future.

The full report is available at <https://web.actuaries.ie/news/15/12/financial-sustainability-state-pension-ireland>

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Society of Actuaries in Ireland

The Society of Actuaries in Ireland is the professional body for actuaries practising in Ireland. Actuaries provide advice on and relevant solutions for financial, business and societal issues involving uncertain future events. Most of the Society's members work in the financial services industry, and the profession has a statutory role relating to the supervision of pension schemes and insurance companies.

The Society seeks to make an impartial contribution to public debate on social policy and public interest matters where an actuarial perspective can add value.



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