Society of Actuaries in Ireland

Press Release
27th January 2020

The Society of Actuaries in Ireland is issuing this statement on State pension policy to facilitate constructive discussion on an issue of primary importance to many Irish people.

The three objectives underpinning the management of the State pension are:

- Adequacy - to ensure that the pension paid to recipients is sufficient
- Sustainability - to ensure that pension payments can be financed in a sustainable manner
- Equity - to ensure equity of treatment between current pensioners and future pensioners.

The State pension is financed on a pay-as-you-go basis. The last actuarial review of the Social Welfare Fund as at the end of 2015 showed that to provide pensions at the current level, with future increases to allow for the impact of inflation, the PRSI contributions payable by and in respect of those in work would have to increase significantly in the medium and longer term. This would occur primarily as a result of improvements in life expectancy and the increase in the percentage of the population receiving the State pension. In the absence of such PRSI increases, substantial additional tax revenues would be required. This would not achieve the sustainability and equity objectives outlined above as such increases might not be affordable at that time, and could impose a significant burden on future generations.

The Society of Actuaries in Ireland has consistently stated that the most practical way to provide a sustainable and affordable pension in the long term, based on current demographic trends, is to gradually increase the State pension age, with adequate notice of changes to enable individuals, employers and Government to address the impact.

The Pensions Roadmap proposes that any further changes to the State pension age, beyond those already announced, will be directly linked to increases in life expectancy, which would be assessed in 2022 (and every 5 years thereafter) and that a notice period of no less than 13 years will be given in respect of any further planned changes before implementation occurs. This is a sensible long-term policy and is consistent with the approach taken in some other European countries.

The change to the State pension age (to 66) in 2014 created difficulties for those who were not permitted, due to the terms of their employment contracts, to continue in work, which led to many of these being required to apply for the Jobseekers' Allowance. This was a temporary, incomplete and unsatisfactory solution, and will become even less appropriate when the State pension age is due to become 67 in 2021.

If a transition pension is introduced to address this "gap", it is important to ensure that this does not become a permanent fixture, as this would threaten the sustainability of the State pension framework. A permanent "transition pension" arrangement would represent a failure to address the reality of the situation. One change which the Society and others have proposed previously would be to give citizens the option to draw a reduced State pension early, i.e. to receive a reduced level of State Pension but commencing before State pension age.

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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 members of the profession hold statutory or regulated roles relating to the financial management 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.