

# Irish Institute of Pensions Management

## Retirement Provision Implications from Research

Presented by Eoghan Burns



All opinions expressed in this presentation are my own personal views and not necessarily those of my employer, Irish Life.

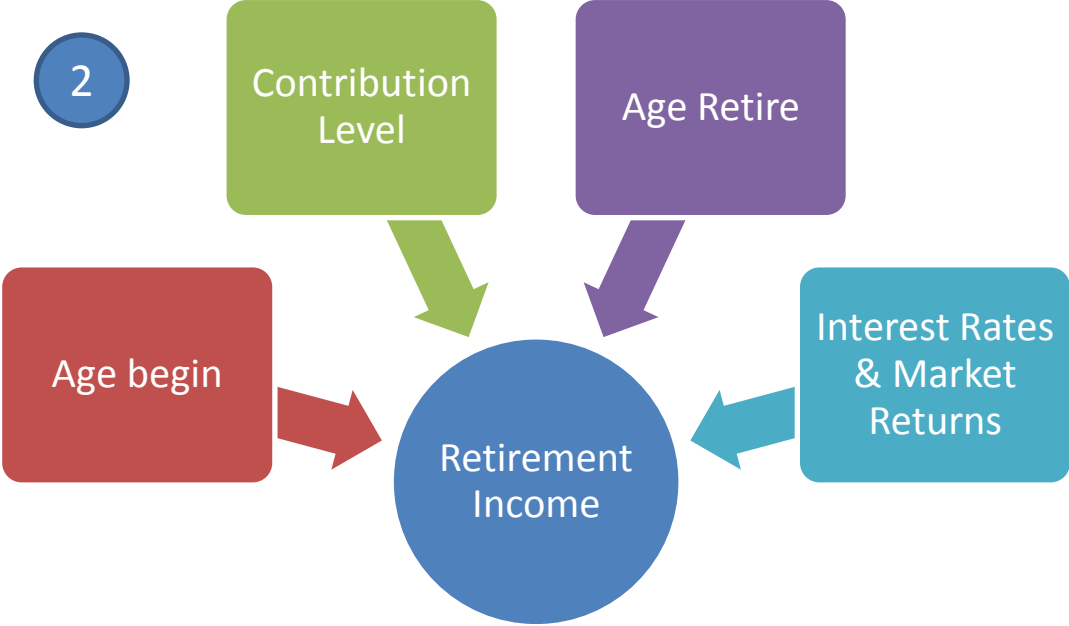


# Agenda

1

Current Pensioner Experience

2



# TILDA Research

- The Irish Longitudinal Study on Ageing
- Studying 8,500 people aged 50+
- Over a 10 year period
- Covering health, social and economic dimensions
- Towards making 'Ireland the best place in the world to grow old'



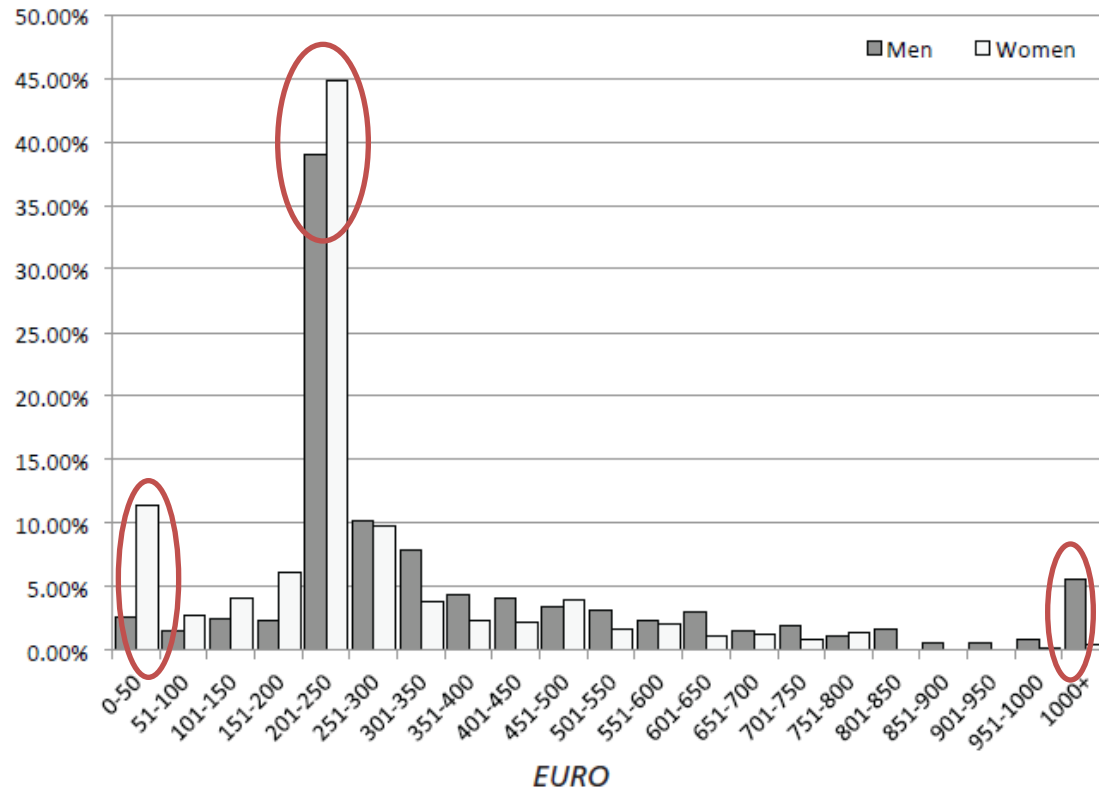
# Higher quality of life as wealth increases

- Control ↑↑
  - Autonomy ↑
  - Pleasure ↑
  - Self-realisation ↑↑
- 
- Quality of life increases with age to peak at 65-74

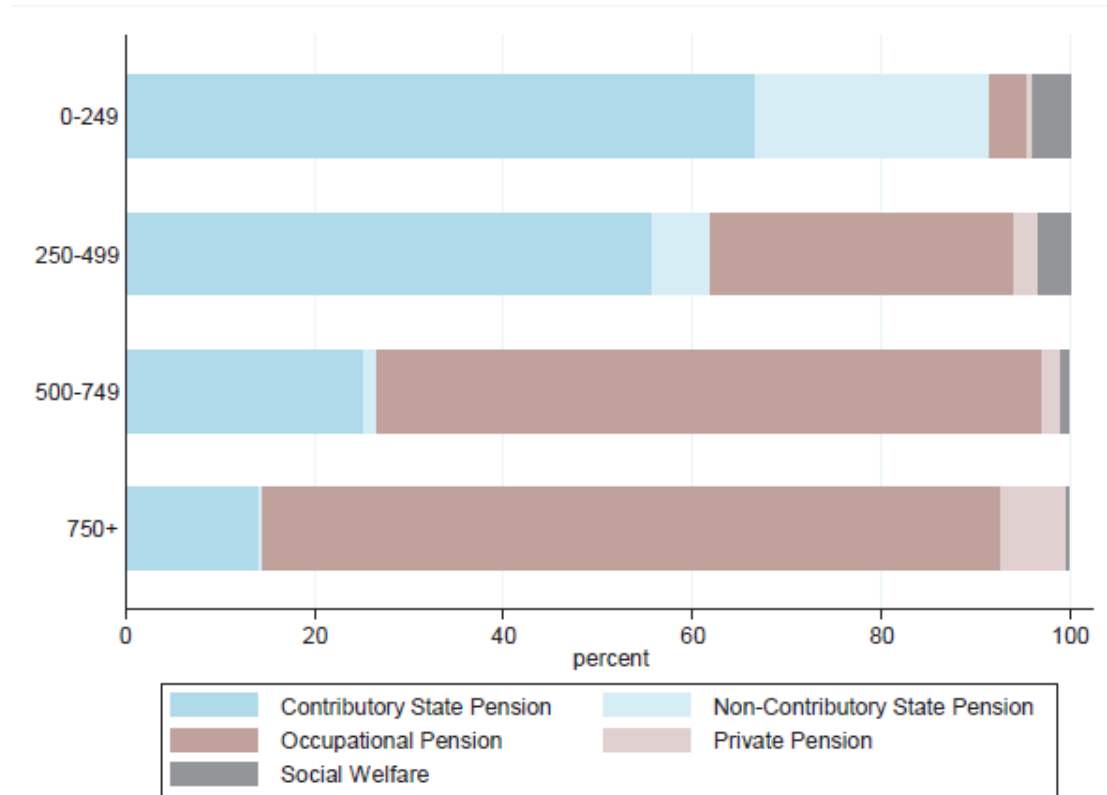
Source: Fifty plus in Ireland 2011 - TILDA



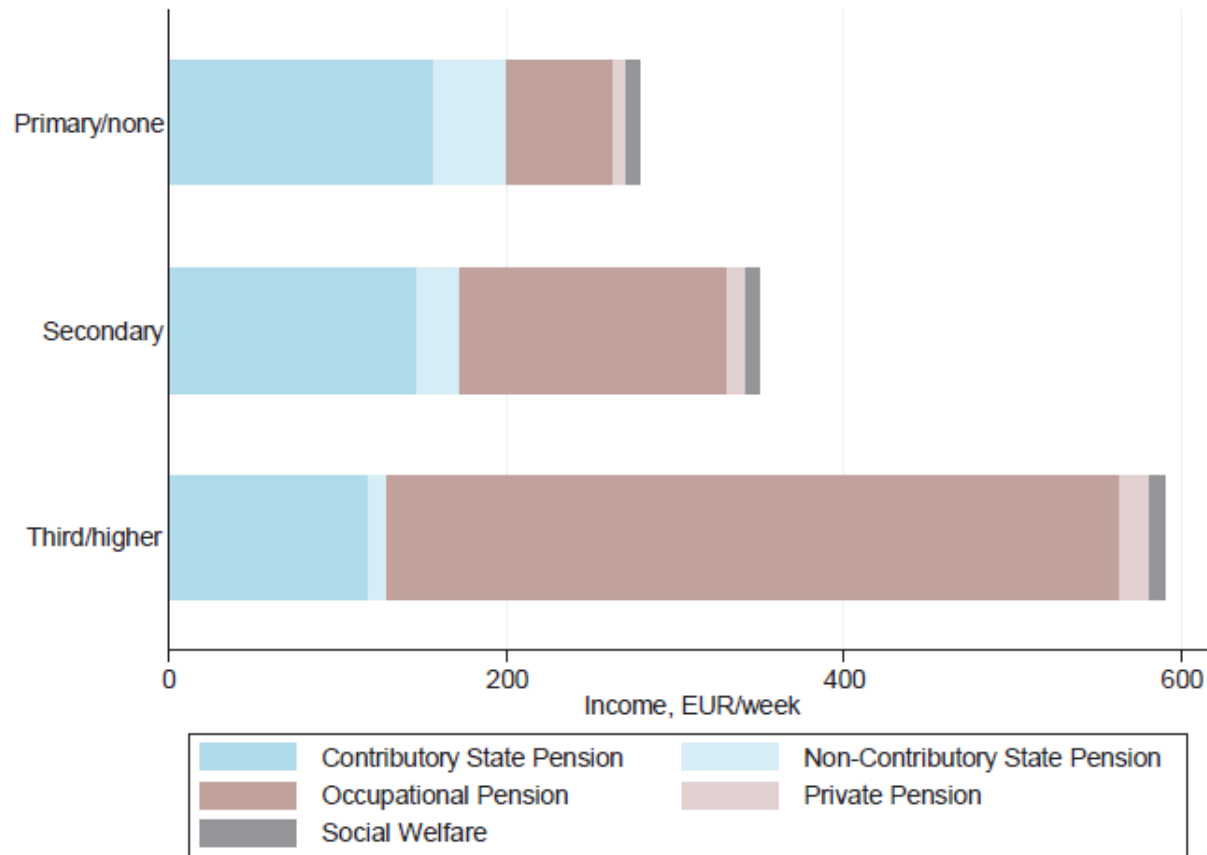
# Distribution of pension income by gender



# Share of mean total income by income level

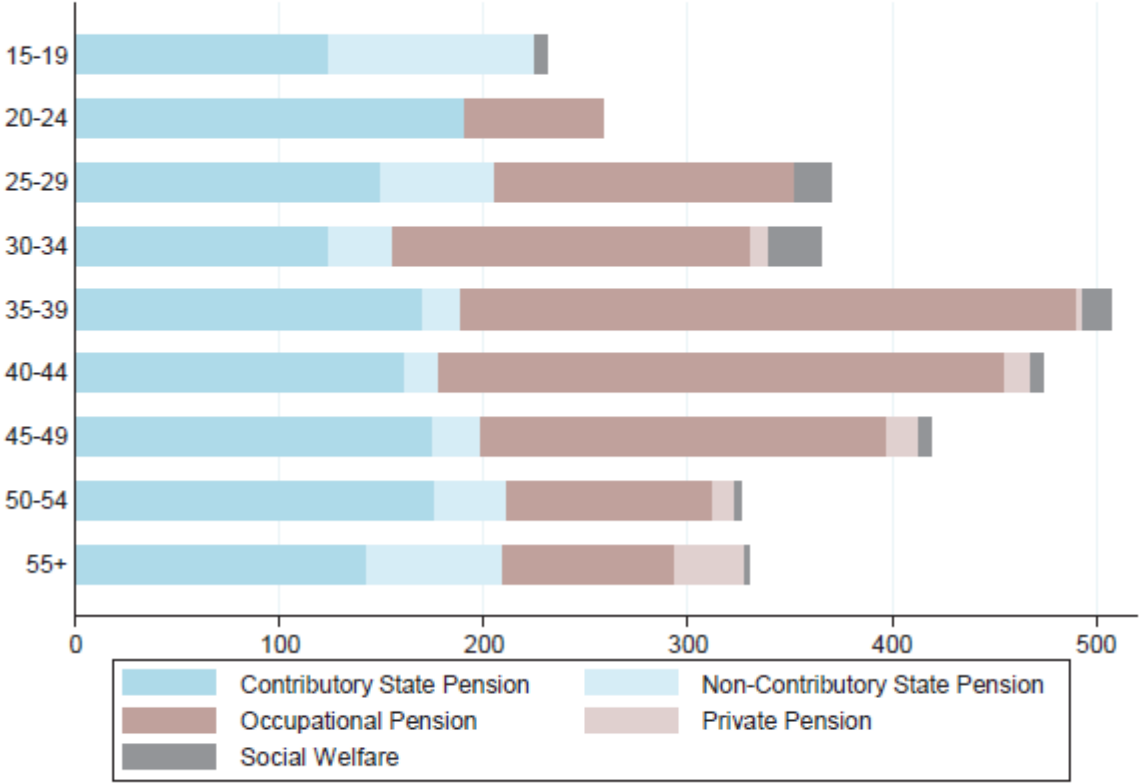


# Share of mean total income by education level





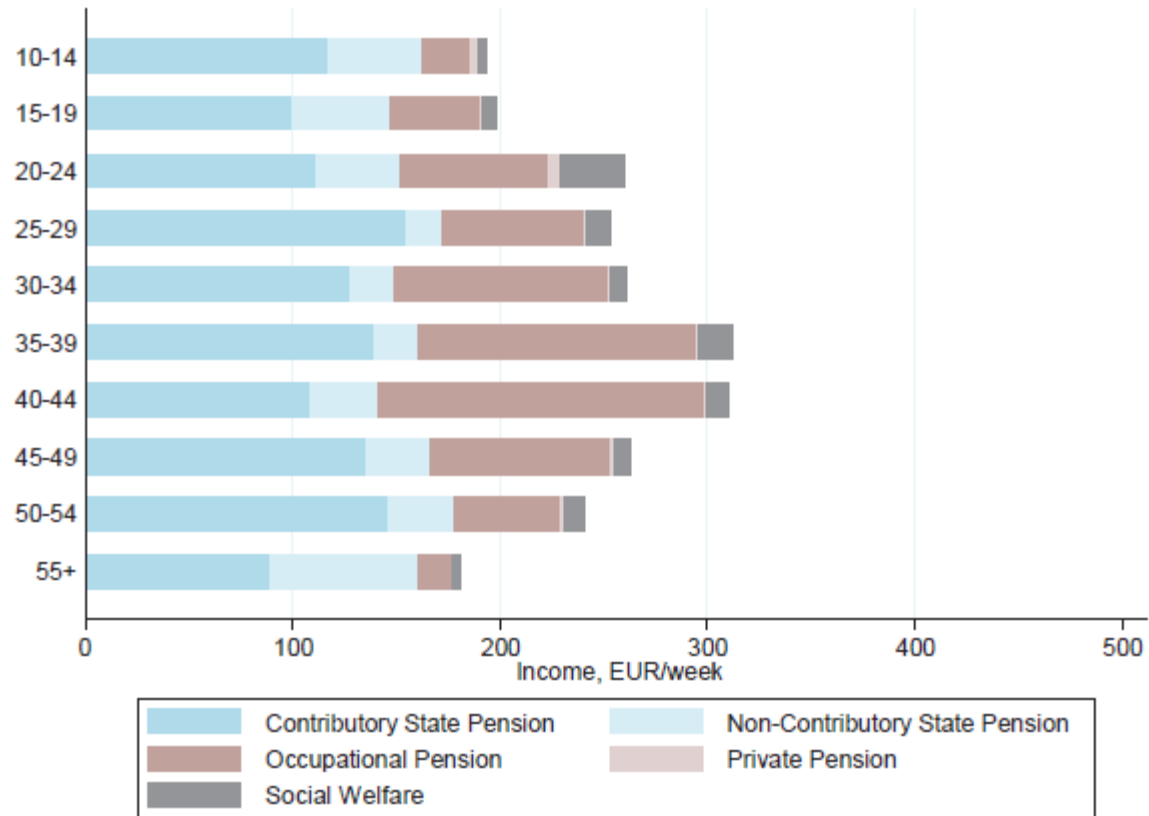
# Mean income by length of work history - Men



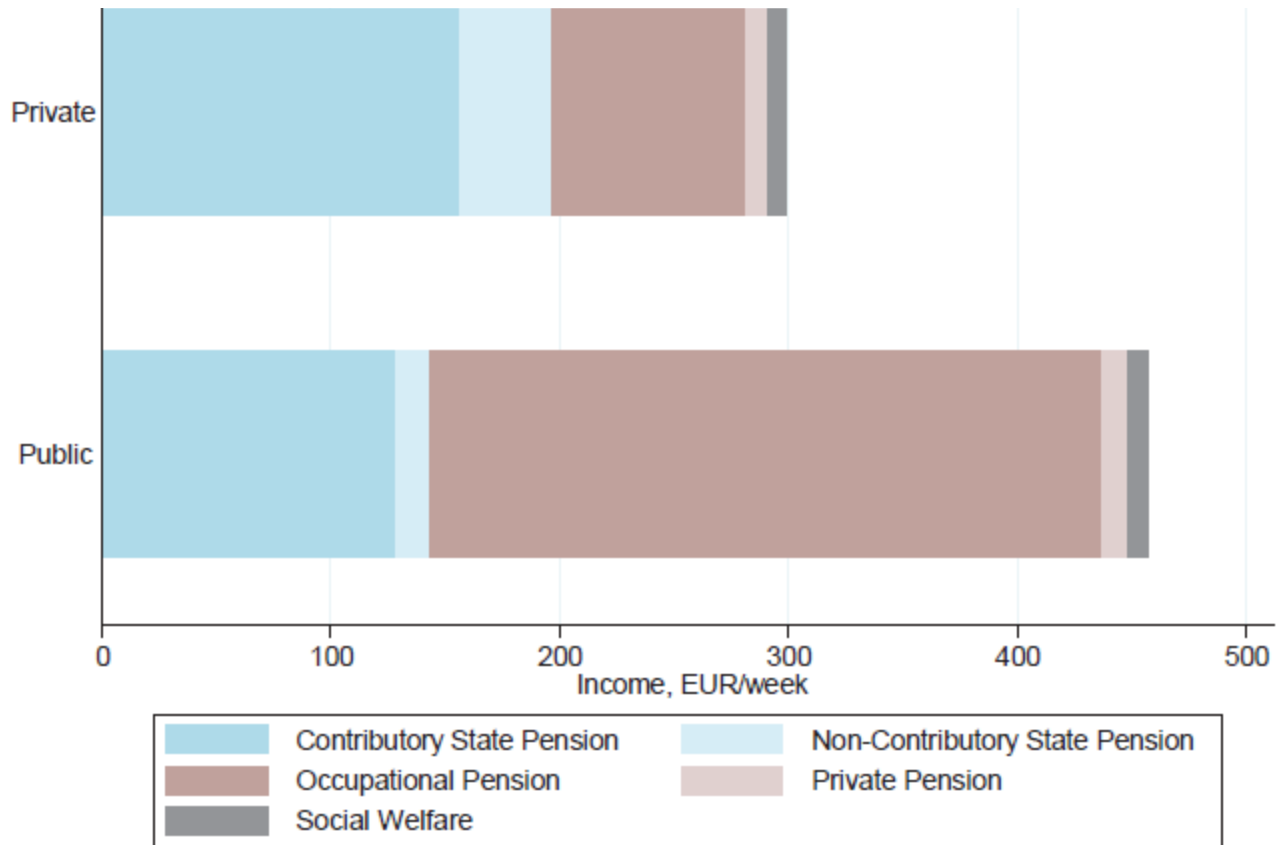
Source: Supplementary Pensions and the Income of Irelands Retirees - Nivakoski & Barrett



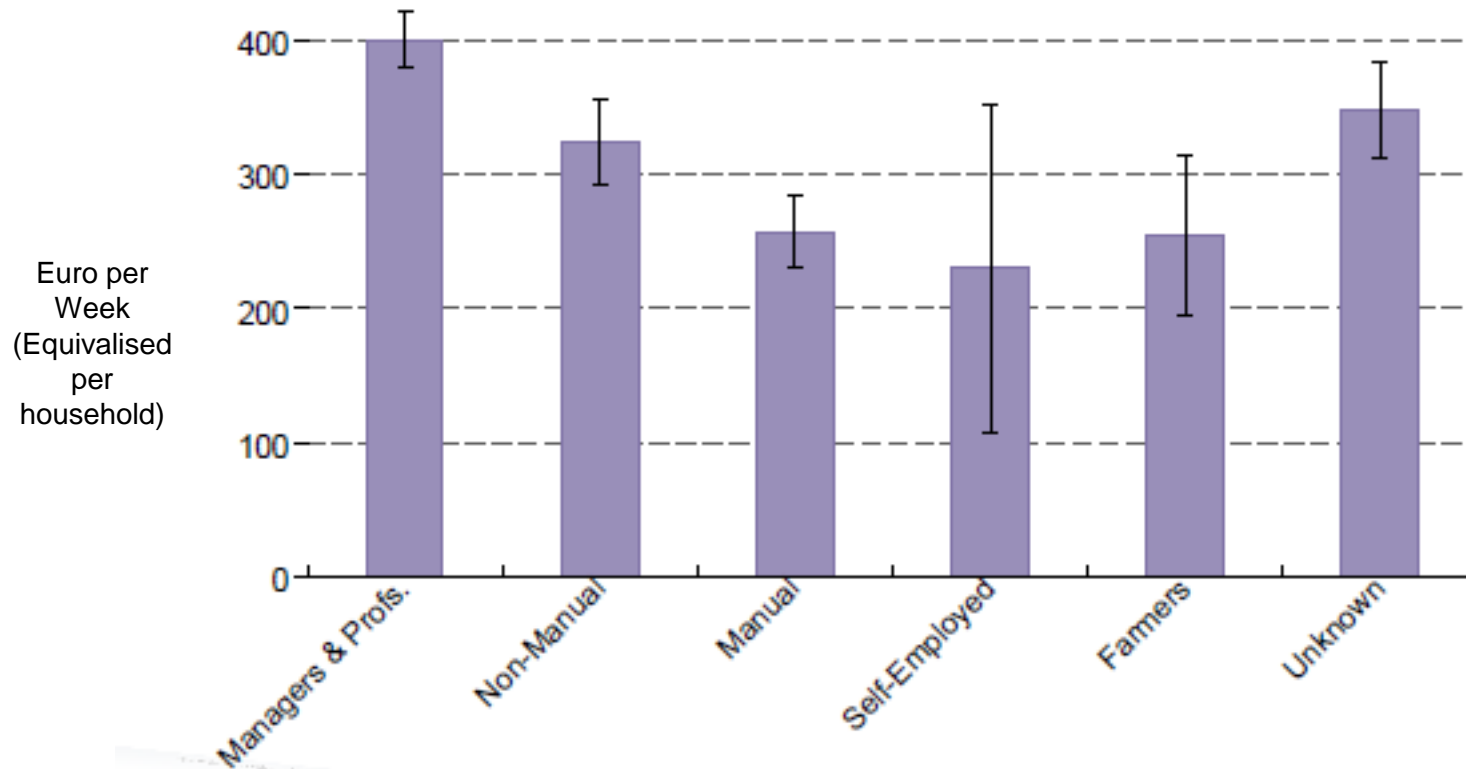
# Mean income by length of work history - Women



# Mean income by sector of employment



# Median disposable income by former occupation



Note: N = 952; Missing obs = 0; Error bars correspond to 95% confidence intervals

# Supplementary Pensions Coverage

## More Likely

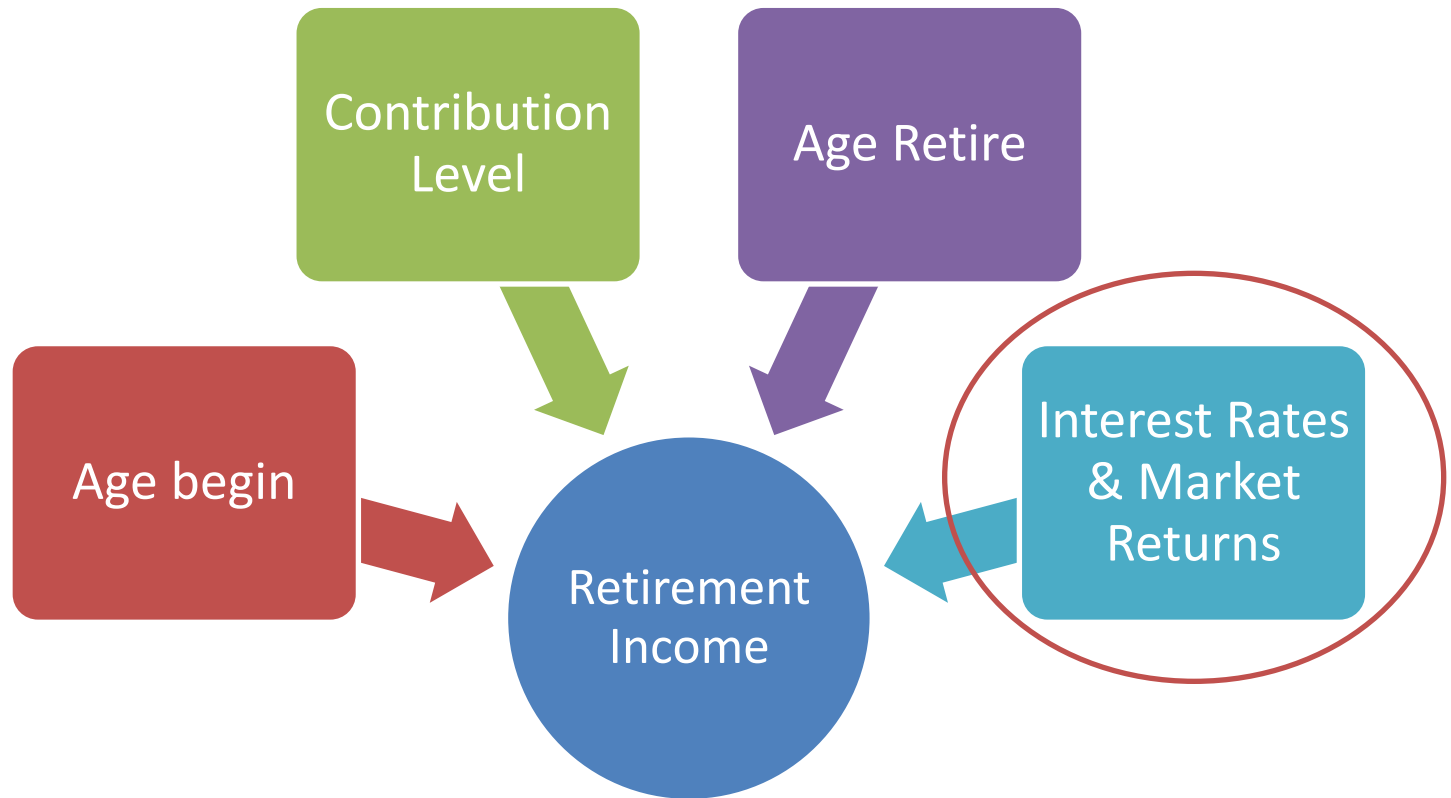
- Third-level education
- Home-owners
- Public Sector
- Large firm employees
- White-collar



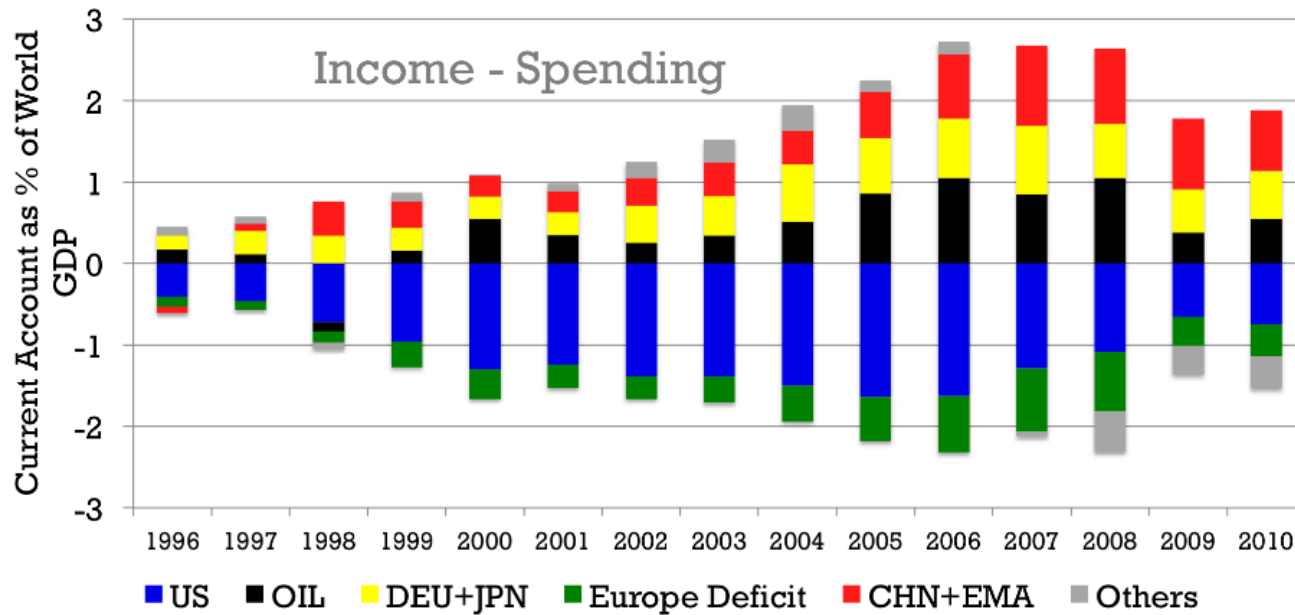
Occupational pension  
mandatory for many ?

## Less Likely

- Self-employed
- Small-firm employees
- Non-continuous work patterns
- Women
- Low earnings



# Borrowing = Lending



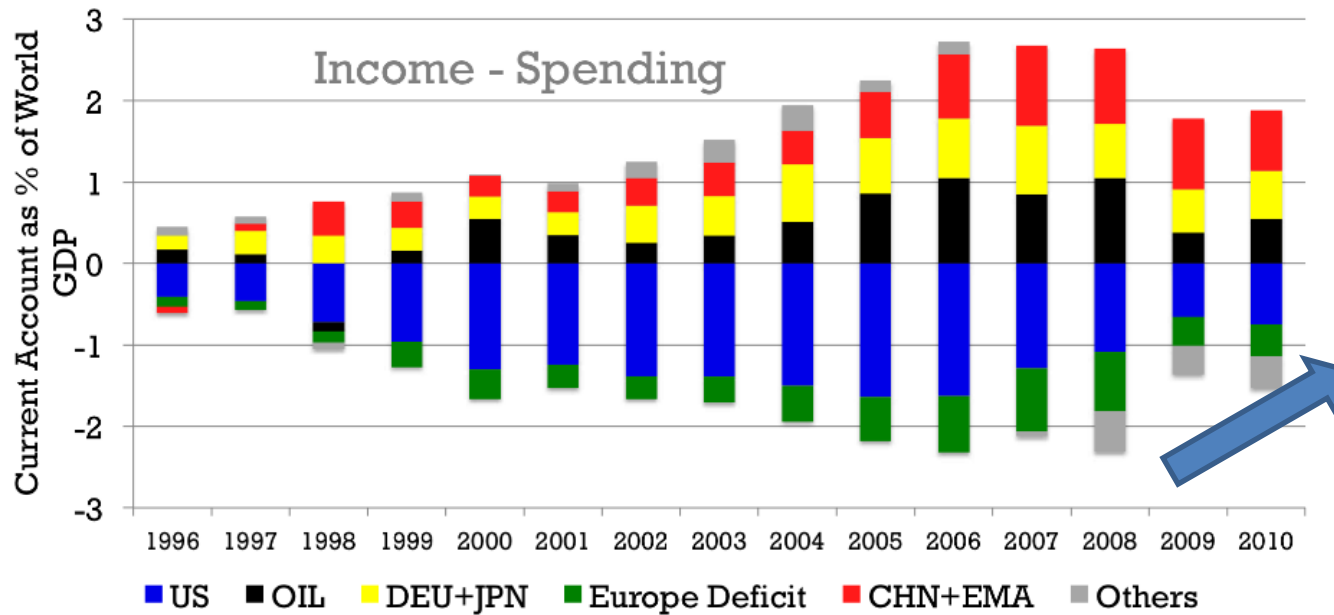
# Saving Glut

*“To be more specific, I will argue that over the past decade a combination of diverse forces has created a significant increase in the global supply of saving--a global saving glut--which helps to explain the relatively low level of long-term real interest rates in the world today” Ben Bernanke, March 10, 2005.*

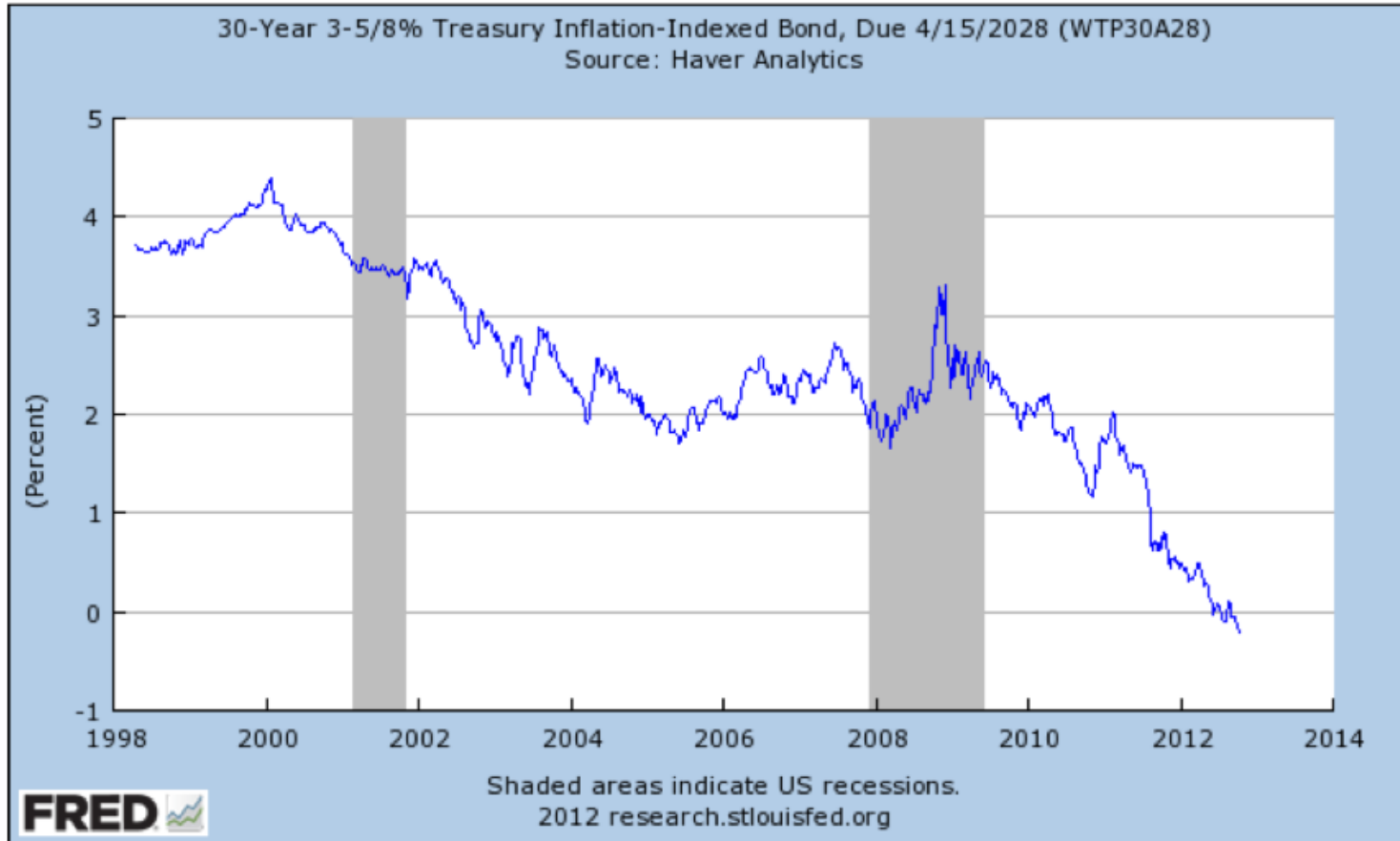




# Austerity => Borrowing down



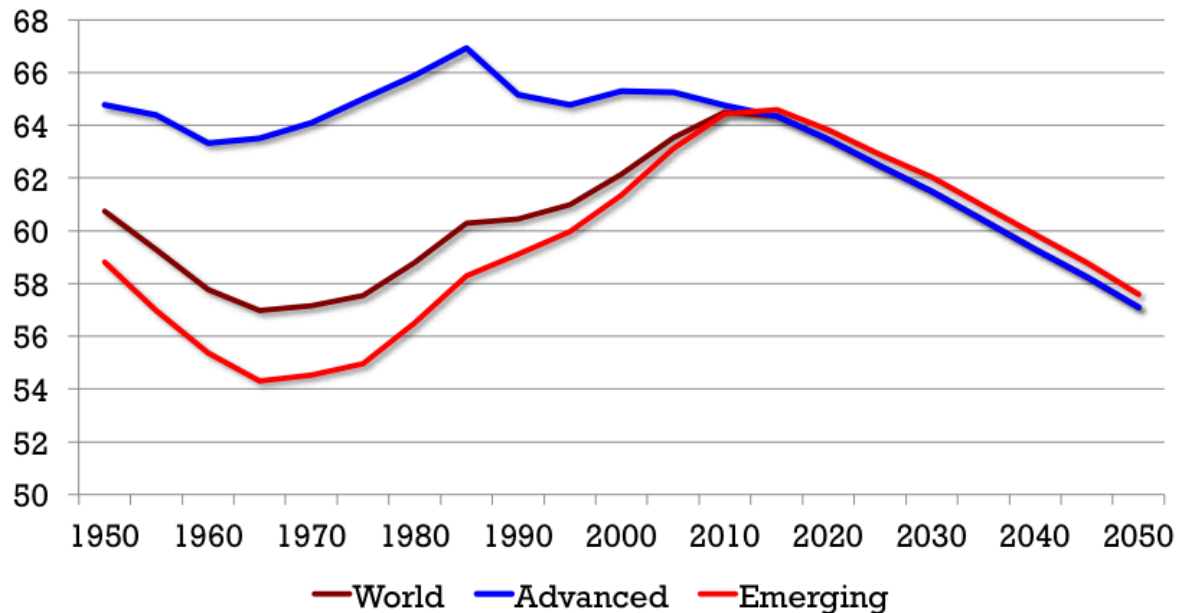
# Savings Glut + Austerity - impact

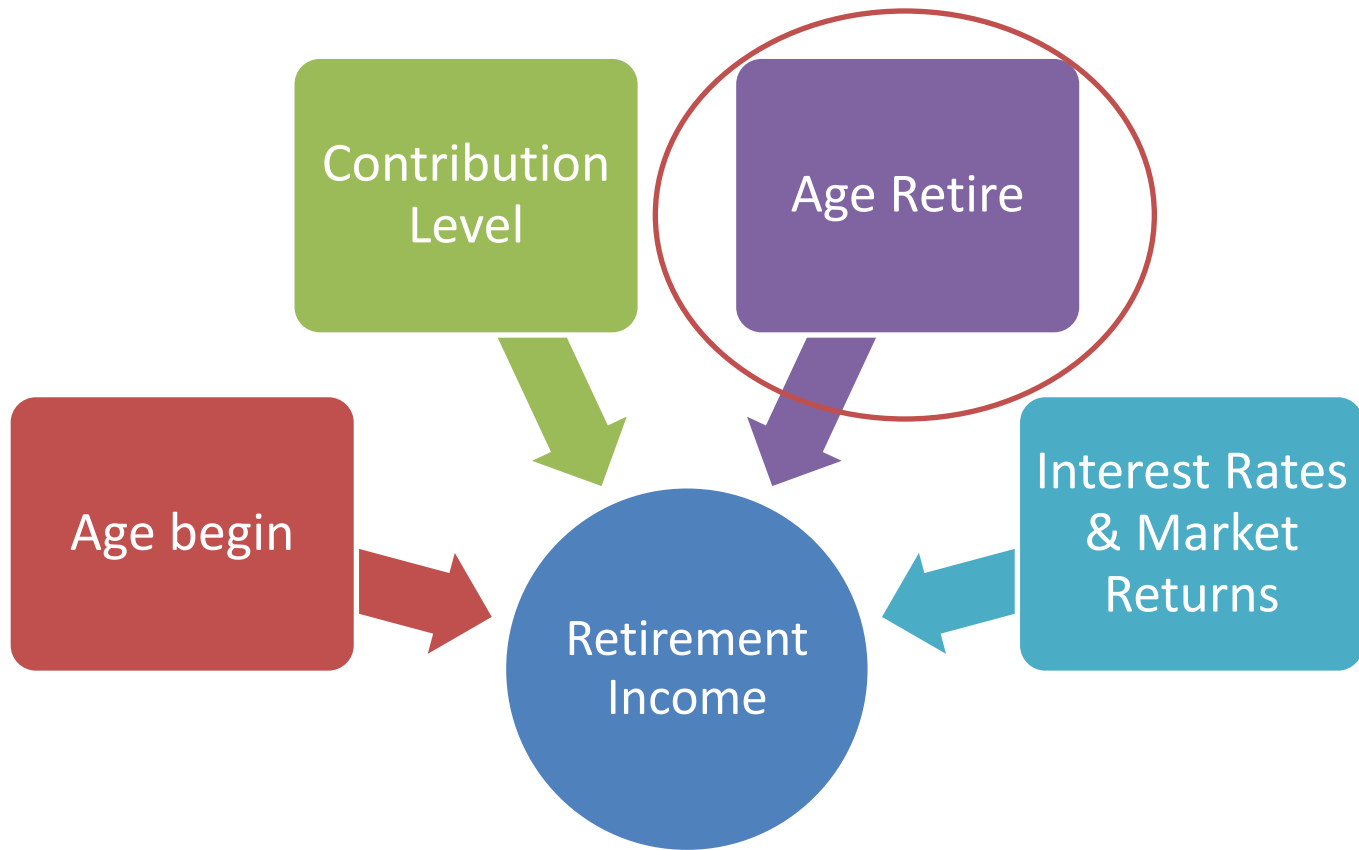


# World Population

## Trends in Demographics

Working Age Population as % of total Population





# Retirement Age – Time of Change

- State Pension Age changes imminent
- Employment law uncertainty
- Employer and employee nervousness

BUT

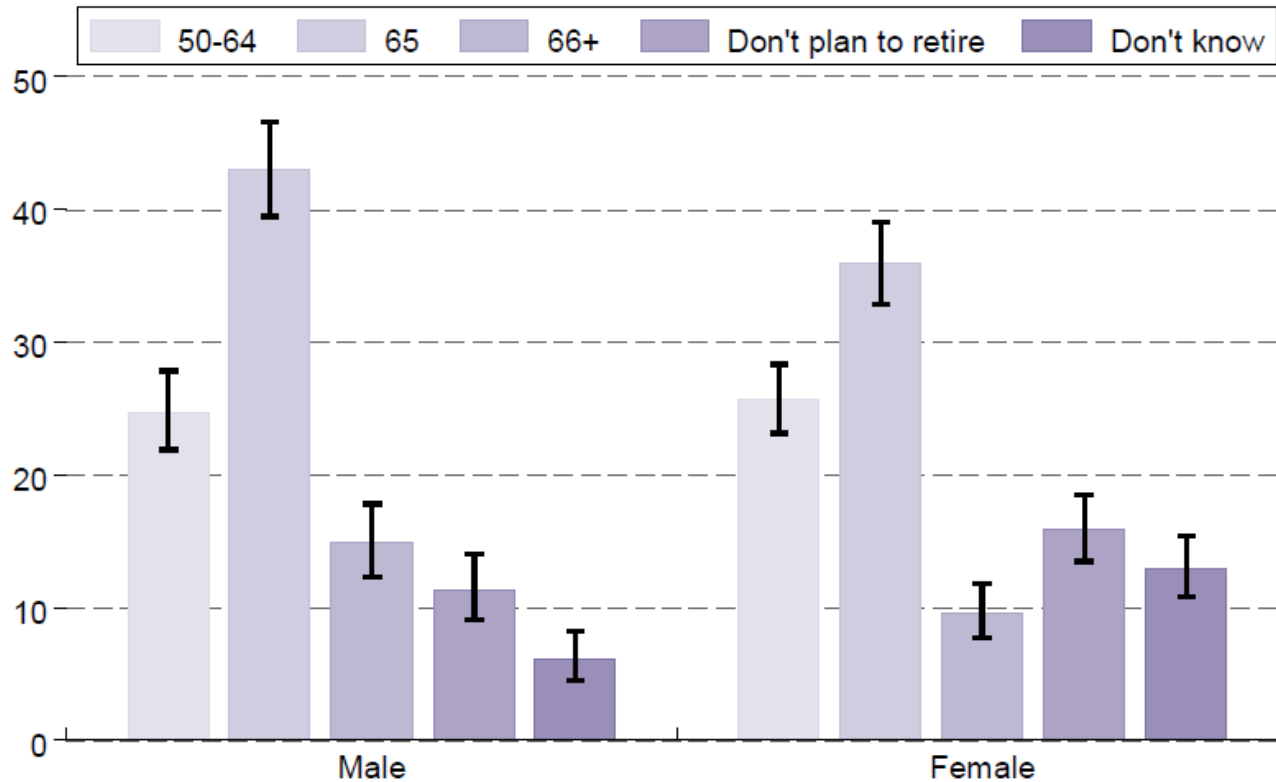
- Dramatic sustainability improvements possible:

Annuity rates for 3 years older	+11%
3 years extra contributions + Return	+15%-20%
<b>Total pension increase</b>	<b>+25%-30%</b>



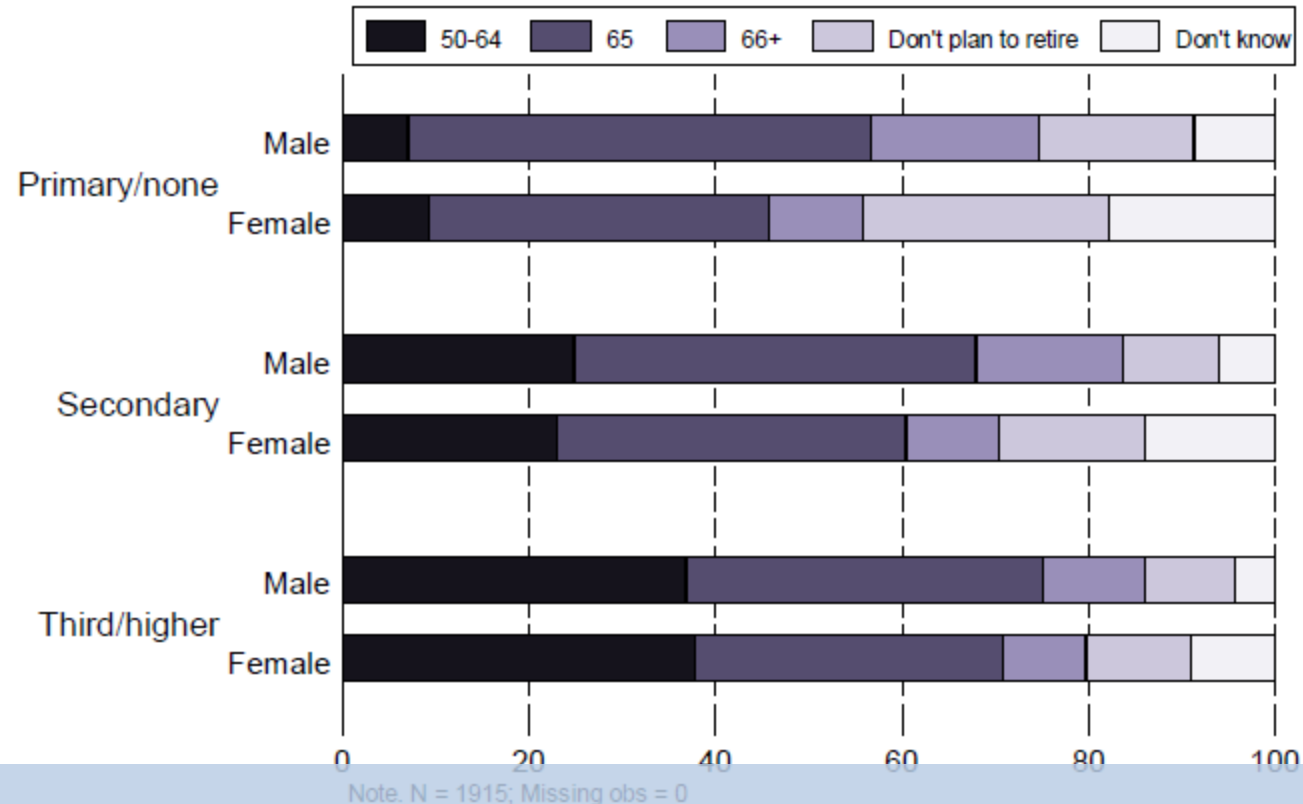
# Expected Retirement Age

## 65 still most popular

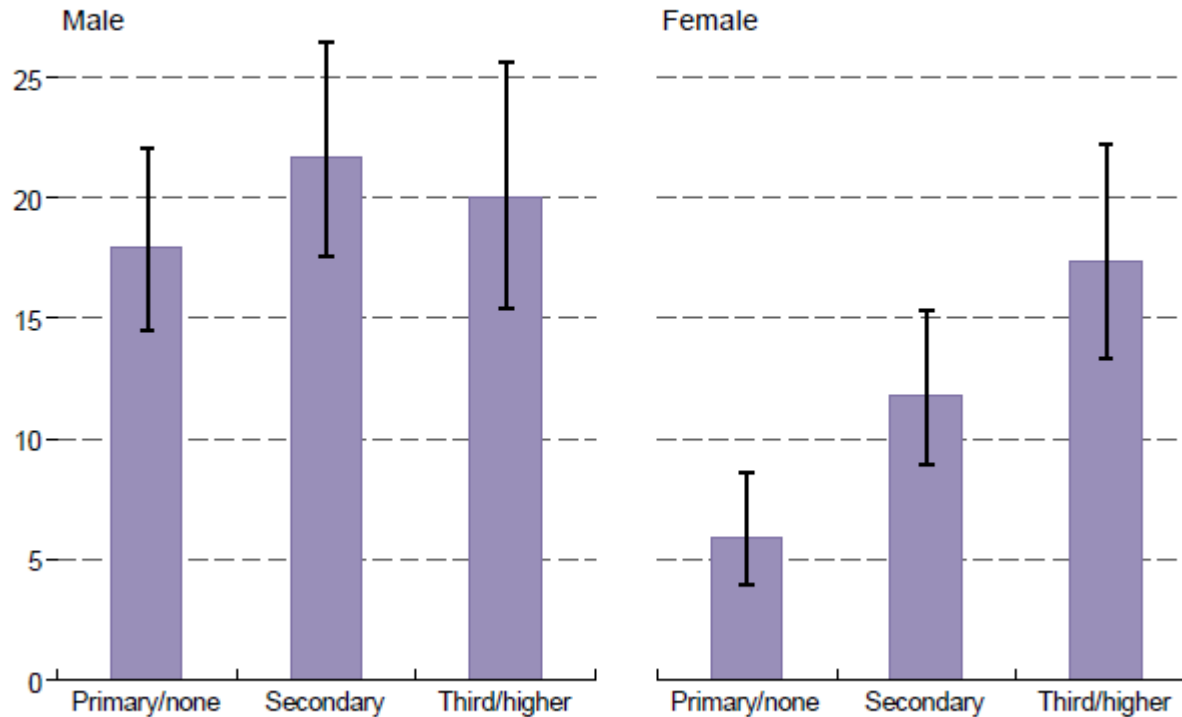


Expected retirement age by sex, employees 50-64

# More educated expect to retire earlier

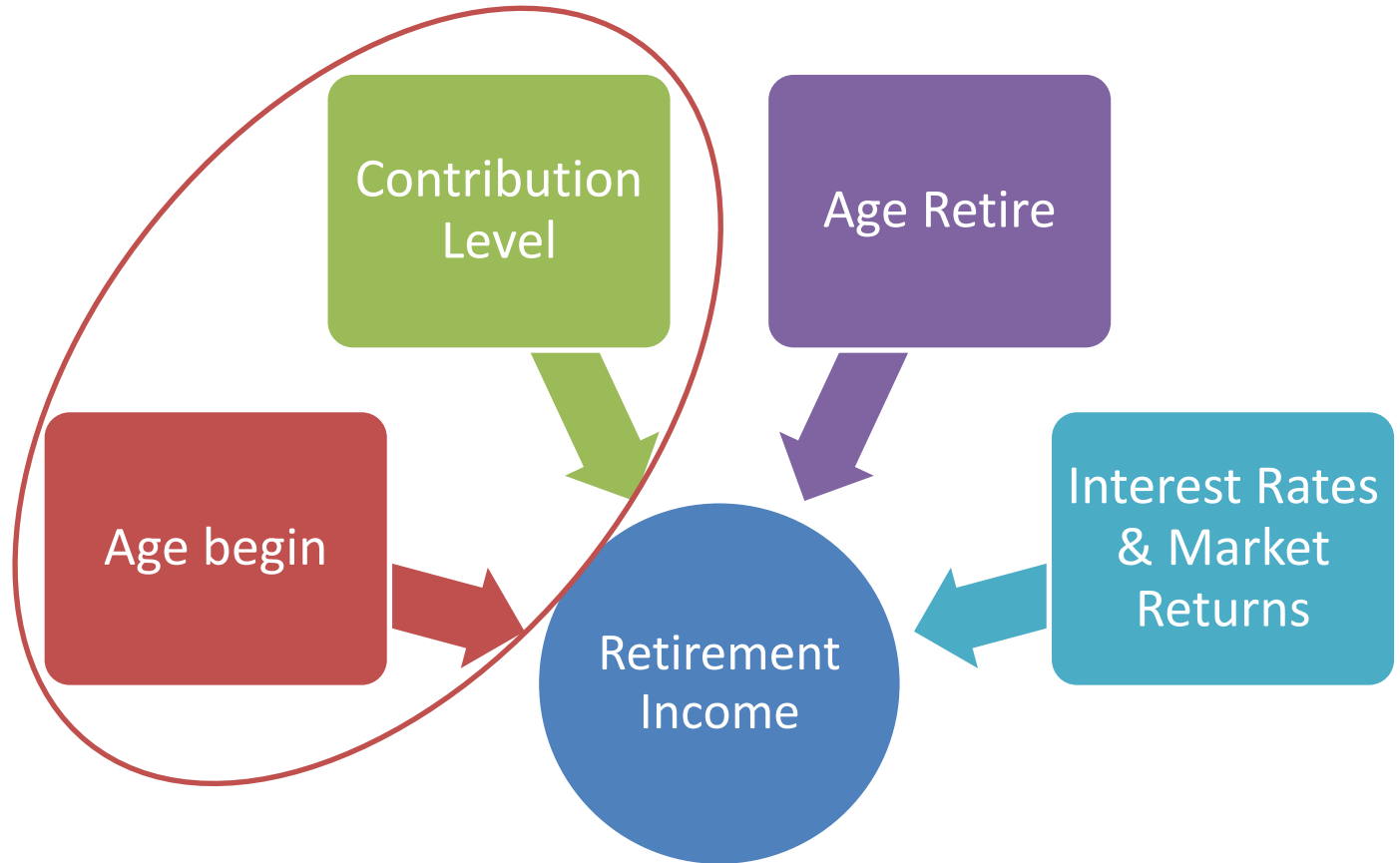


# ...but currently likely to work longer!



Note. N = 2162; Missing obs = 1; Error bars correspond to 95% confidence intervals





# Research into Policy Effectiveness

- Danish research – Income tax records
  - Chetty, Friedman, Leth-Peterson & Nielsen
- Policies requiring either active or passive decisions
- Subsidies/Tax Relief vs Mandates/Defaults



# Policy Effectiveness - Findings

- **Mandates** can have significant impact on amount contributed to pension plan.
- Total savings also rose by approx. 90% even though workers are free to undo savings elsewhere.
- Fall in **tax subsidies** for higher-rate caused significant drop in retirement savings for affected individuals.
- However reduction offset by increases in non-retirement savings.
- Suggestion of “Active” versus “Passive” savers



# Policy Effectiveness - Caveats

- Sharp differences in short-term may not hold for longer-term
- Different populations segments were tested by Danish experiments – may not hold generally
- Mandatory savings may cause inattentive workers to misperceive how adequately protected they are
- Mandatory schemes may displace other more appropriate schemes provided by employers

# Conclusions

- Current regime working well for many – need to protect
- Policy changes needed to expand coverage
- Low real interest rates – here to stay?
- Retirement Age increases - theoretical solution but practical difficulties
- Mandatory or soft-mandatory regimes will help target those most in need best