

IRELAND Country Fiche

April 23rd 2015
Department of Finance

Ageing Working Group pension projection exercise

Ageing Report 2015

Introduction

1 Overview of the pension system

1.1. Description

The Irish pension system comprises two main pillars. The first is the public social security (PSS) pay-as-you-go system which is administered by the Department of Social Protection and funded through social insurance contributions and tax revenue. The second consists of supplementary pensions including non-funded private occupational public service (POPS) pay-as-you-go schemes¹, voluntary funded private occupational pension schemes set up by employers and voluntary personal pensions arranged by individuals.

The projections presented below relate to public pensions, that is, first pillar social security or State pensions and the public service component of the second pillar². Projections of private sector occupational and voluntary pension schemes are not provided in what follows due to lack of data. However, such schemes play an important role in the Irish pension system - at the end of 2013, the value of Irish pension funds stood at over €91 billion³ (56% of GDP). Savings in defined benefit schemes amounted to just over €58.1 billion with those in defined contribution schemes totalling almost €33.4bn⁴.

Pensions Authority data suggest that private pension drawdowns in 2012 amounted to over €2 billion with nearly €1.6 billion relating to defined benefit schemes. In addition, €648 million was paid out in private pension lump sums in 2012. Also, there were over 96,000 private pensioners in defined benefit schemes and 7,000 retirees from defined contribution schemes in 2012^{5 6}.

Under the Irish tax system, pension contributions are exempt from income tax (tax relief is given at the marginal rate of tax) though such contributions are no longer exempt from PRSI or universal social charges. Accumulated pension fund returns are largely tax free (the assets of funded pension arrangements are subject to a pension fund levy for the period 2011 to 2015), and pension drawdowns are fully taxed in the hands of the recipient⁷.

¹ Certain commercial state-owned organisations pension schemes (e.g. Electricity Supply Board ESB) are pre-funded.

² All figures reported in the country fiche are based on data available as of 31 November 2014.

³ This also includes the pension funds of commercial semi-state bodies e.g. ESB.

⁴ IAPF Pension Investment Survey 2013

⁵ There were approximately 508,000 defined contribution and 683,000 defined benefit members (active, deferred and pensioner members) in 2012.

⁶ 2012 figures are based on provisional data and are likely to increase, as there are still a number of schemes still to submit their Annual Scheme information returns.

⁷ With the exception of the tax-free retirement lump sum which, depending on the nature of the pension vehicle can amount to 1.5 times final salary or 25% of the fund, subject to a lifetime cap of €200,000

1.1.1 Social Security Pensions

Public social security pensions (PSS) provides flat rate payments under two types of schemes - Social Insurance and Social Assistance. Social Insurance pension benefits are contributory and a function of an individual's Pay Related Social Insurance (PRSI) record. Social Assistance pensions are non-contributory and are available on a means-tested basis to those with insufficient PRSI contributions. Pension payments are financed through a combination of contributions from employers, employees and the self-employed (Social Insurance schemes) and general taxation (Social Assistance pensions; Social Insurance schemes in the event of a shortfall in contributions⁸).

In summary, qualification for contributory state pension Social Insurance schemes is based on a minimum age (66), entry into Social Insurance before a particular age (56), a requirement of at least 260 weekly social insurance contributions at the appropriate rate, and a yearly average of at least 10 contributions.⁹ The qualifying conditions for the main Social Assistance scheme – the *Non-Contributory State Pension*– are age (66), habitual residency and satisfaction of a means test.

In 2014, the weekly payment rate was €230.30 for the Contributory State Pension and €219 for the Non-Contributory State Pension. These represent the maximum personal rates paid to persons under 80 years old¹⁰. Additional payments are made where recipients have qualified adult and qualified child dependants, with higher rates also payable to those aged 80 and over. Reduced rates are payable to those with incomplete social insurance records or who have insufficient contributions but means below certain thresholds.

In addition to the core payments, a range of non-cash supplementary benefits are available to State pension recipients such as free travel, free television licence, electricity/gas allowance and telephone allowance, subject to certain qualifying conditions. Subject to a means test persons may also qualify for a weekly fuel allowance of €20 per week for 26 weeks per year. Persons living alone may qualify for an additional living alone allowance of €7.70 per week.

Social security pensions are not taxed at the point of payment as they are below the minimum tax threshold. However, where appropriate, such payments are included in income tax assessments in conjunction with any other income and taxed accordingly.

1.1.2 Private Occupational Public Service (POPS) Pensions

Second pillar private occupational public service pensions take the form of *defined benefit* schemes i.e. pension benefits are payable as a fixed rate of pensionable earnings. For each year of pensionable

⁸ Contributions are paid into the Social Insurance Fund. In 2013, the Social Insurance Fund (which covers a range of schemes including Social Insurance pension schemes) was in deficit to the amount of €1.31 billion. There is likely to be a deficit on the Social Insurance Fund for some time given the increased cost of unemployment payments and pension payments and also given the impact on Social Insurance Fund income (PRSI receipts) of lower numbers in employment.

⁹ Contributions paid or credited from 1953 or from the date of entry into social insurance.

¹⁰ See section 5 for more detail

service, public servants accrue a retirement pension of 1/80th of pensionable remuneration (or of net remuneration for public servants in the full Pay Related Social Insurance class) and a retirement lump sum of 3/80^{ths} of pensionable salary in the final year ¹¹¹².

Retirement age thresholds vary considerably across different groups of existing public servants¹³. Furthermore, different categories of public servants pay different Social Insurance contributions. A declining minority pay a lower rate of PRSI but do not qualify for a range of Social Insurance benefits. The majority of public servants who pay full PRSI, however, are entitled to Social Insurance pension payments and receive an integrated pension in two parts; a contributory state pension and a POPS pension. POPS pension entitlements of these individuals are therefore integrated with their State pension provision as social insurance benefits are taken into account when making up replacement incomes at retirement. Such public servants accrue a retirement pension of 1/80th of net pensionable remuneration.

Increases in public sector pension rates have historically been linked to the pay increases of equivalent public service grades. Following the introduction of the Single Public Service Pension Scheme (Single Scheme), post-retirement increases for pensioners and serving staff are planned to be linked to the consumer price index (CPI) rather than average public sector earnings. As the Financial Emergency Measures in the Public Interest (FEMPI 2013) legislation provisioned for public service pay freezes until 2016, public service pensions are projected to increase in line with nominal earnings growth (inflation plus productivity) from 2017 onwards.

POPS pensions are not subject to PRSI but they are subject to both income tax and USC.

Table 1: Statutory retirement age and earliest retirement age

	2013	2020	2030	2040	2050	2060
with 20 contributory years*						
statutory retirement age	65	66	68	68	68	68
earliest retirement age	65	66	68	68	68	68
with 40 contributory years*						
statutory retirement age	65	66	68	68	68	68
earliest retirement age	65	66	68	68	68	68

*identical for men and women

In the social security pension system the statutory retirement age and earliest retirement age are both 65 years in 2013¹⁴. This will rise to 66 in 2014, 67 in 2021 and to 68 in 2028. There is no penalty in case

¹¹ Under the new Single Scheme, which took effect from 1 January 2013, lump sum entitlements will be calculated based on career-average earnings.

¹² Net pensionable remuneration is total pensionable pay less twice the state contributory pension

¹³ The retirement age in the public sector for people who joined it before 1 April 2004 is 65 years. Some occupations - for example, the police, firefighters and the Defence Forces - have provisions for much earlier retirement generally and/or on grounds of illness.

¹⁴ Ireland does not have an upper-bound statutory retirement age. The figures reported in table 1 refer to the eligibility age for social security pensions.

of earliest retirement age or a bonus in case of later retirement. However, early retirees may not meet contribution requirements.

1.2. Recent pension reform measures included in the projections

Public social security pensions (PSS)

The State Pension Transition was abolished in 2014¹⁵, while the qualifying age for State pensions increased to 66 in 2014, and will rise to 67 in 2021 and then to 68 in 2028¹⁶. Separately the criteria to qualify for a contributory pension have been amended to increase the minimum number of paid contributions required for State Pension (Contributory) qualification to 520 in April 2012.

The National Pensions Framework (March 2010) provides for a ‘total contributions approach’ to replace the current average contributions test for the contributory State pension from 2020 onwards¹⁷. This is designed to ensure that the level of pension payments will be directly proportionate to the number of social contributions paid by the person over their working life, thereby removing some of the anomalies associated with the current averaging approach.¹⁸

Private occupational public service pensions (POPS)

The new Single Public Service Pension Scheme (Single Scheme) took effect from 1 January 2013. The Single Scheme applies to all new entrants to the public service (e.g. civil and public servants, the President, members of Parliament, Judiciary, Defence Forces, police, etc.) and will reduce longer-term pension costs significantly once this cohort begin to retire. As a result, the effects of the single scheme are expected to be most pronounced from 2045 onwards. Estimates from the Department of Public Reform and Expenditure show that the average annual pension cost for new entrants under the single scheme will be reduced by approximately 35%. The reform is part of the programme of measures agreed under the former EU IMF Programme. Main features of the scheme include:-

- Benefits based on career average earnings rather than final salary (individuals earn an annual pension and lump sum amount each year – this is ‘banked’ and up-rated with prices to produce the pension on retirement);
- New pension age of 66 (linked to State Pension age; rising progressively to 67 and 68);
- A facility for early retirement from age 55 on a cost-neutral (actuarially reduced basis)
- Maximum retirement age of 70;

¹⁵ This payment is no longer paid where a person reaches 65 on or after 1 January 2014.

¹⁶ Our pension model assumes that the eligibility ages for other schemes e.g. invalidity pension, illness benefit etc. will increase in a related fashion e.g. from 2021 onwards invalidity pensions will be available to those aged 66 and under.

¹⁷ From 2020, 30 years (1,560 contributions) will qualify a person for the maximum level of SPC. A person will accumulate 1/30th of a pension for each year of PRSI contributions / credits up to a maximum of 30/30ths. A qualifying condition of 520 paid contributions (10/30ths) is also required. Also, the maximum number of credits (currently unlimited) which can be counted for pension purposes will be restricted to 520 weeks (i.e. 10 years).

¹⁸ Under the current approach, pension rates are not proportionate to the level of an individual’s contributions. For instance, an individual who has 48+ yearly average PRSI contributions receives a €230.30 weekly personal SPC rate while someone who contributed 20 yearly average PRSI contributions receives a €196 weekly personal SPC rate

- Post-retirement increases for existing pensioners and serving staff linked to CPI not pay;

Estimates suggests that annual savings from this introduction would amount to €1.8bn (in 2012 terms), with over a half due to changes to indexation, almost a third due to the impact of career averaging, and the remainder from the increase in pension age.

1.3. Constant Policy Assumptions

No formal indexation mechanism exist in the Irish social security system – changes to social security are determined each year as part of the budgetary process. Currently, the value of the State contributory pension is set at 33% of average earnings. However, payments have historically grown in line with whole-economy average earnings. Thus, for the purpose of this exercise, PSS pensions are assumed to grow in line with nominal earnings (inflation plus productivity) from 2017 onwards. So doing preserves the existing parity between projected PSS pensions and POPS pensions¹⁹.

For this exercise, all social security rates are held constant until the end of 2016 as no changes are planned in the lifetime of the current government. This differs from the previous 2012 exercise in which rate freezes were assumed to end in 2013.

The National Pensions Framework (March 2010) provides for a ‘total contributions approach’ to replace the current average contributions test for State Pension (Contributory) from 2020 onwards. Although not formally legislated for, as it is stated policy intention this is used a working assumption driving the first pillar of the pension model.

¹⁹ However, for all post 2012 public servants (Single Scheme) pension payments are linked to CPI not nominal earnings.

2 Demographic and labour force projections

This section outlines the assumed demographic and labour force changes facing Ireland over the 2013-2060 period as endorsed by the Economic Policy Committee (EPC). These are not consistent with the Department of Finances' macro-demographic outlook. Demographic projections used here were produced unilaterally by EUROSTAT and assume an almost constant continuation of outward migration which considerably reduces projected population levels and is considered implausible. Labour force projections along with the associated macroeconomic assumptions are those produced by the Commission's Cohort Simulation Model (CSM). These projections are used as exogenous inputs in the pension model.

2.1 Demographic development

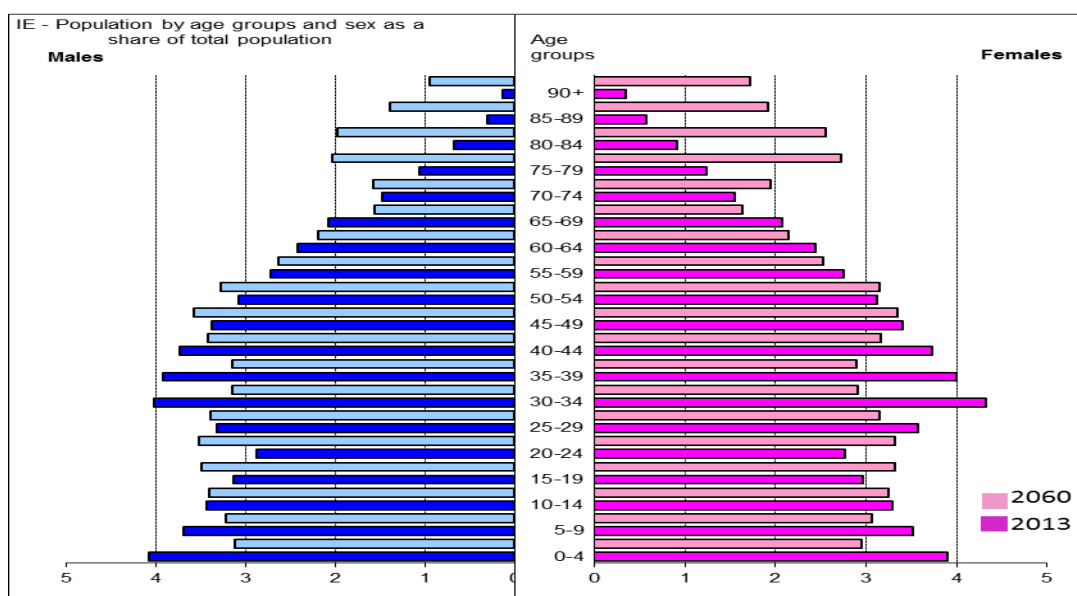


Table 2 gives an overview of the assumed evolution of key population variables consistent with EUROSTAT 2013 demographic projections (EUROPOP2013). On this basis, Ireland's demographic profile is set to change significantly over the forecast period. The share of the population aged 65 and over is set to increase from 12.4% in 2013 to 24.9% in 2050.

Table 2: Main demographic variables evolution

	2013	2020	2030	2040	2050	2060	Peak year
Population (000)	4593	4607	4558	4693	4981	5252	2060
Population growth rate (% per annum)	0.1	-0.1	0.0	0.5	0.6	0.5	2050
Old age dependency ratio (pop65+/pop15-64)	18.9	23.6	30.7	39.0	44.7	35.6	2049
Ageing of the aged (pop 80+/pop65+)	23.7	23.6	27.2	30.6	34.9	47.8	2060

	2013	2020	2030	2040	2050	2060	Peak year
Men - Life expectancy at birth	78.7	79.8	81.3	82.6	83.9	85.2	2060
Men - Life expectancy at 65	18.1	18.8	19.8	20.8	21.7	22.6	2060
Women - Life expectancy at birth	83.0	84.1	85.5	86.8	88.1	89.2	2060
Women - Life expectancy at 65	21.0	21.8	22.9	23.9	24.9	25.8	2060
Men - Survivor rate at 65+*	87.0	88.3	89.9	91.3	92.5	93.6	2060
Men - Survivor rate at 80+	57.5	61.1	65.8	70.1	73.9	77.3	2060
Women - Survivor rate at 65+	91.7	92.6	93.7	94.6	95.4	96.0	2060
Women - Survivor rate at 80+	70.9	73.9	77.6	80.9	83.8	86.2	2060
Net Migration	-32.4	-30.3	-12.1	4.8	16.7	15.1	2050
Net Migration over population change	-5.3	7.0	-15.3	0.2	0.5	0.6	2019

Source: Commission Services *Men-Survivor rate at 65+ is the product of (1- mortality rate) for all men aged 65+

In contrast, the share of the working age population (WAP defined for these purposes as those aged 20-64) is projected to gradually decline during the period, from approximately 60% in 2013 to 50% in 2050. Reflecting these changes, the old age dependency ratio is set to increase from approximately 19 in 2013 to a peak of 45 in 2049 before falling to 36 by 2060. These trends are largely mechanical and reflect the high outward migration assumptions amongst the WAP cohorts over the next two decades.

Reflecting EUROSTAT migration assumptions, the population is set to grow very slowly until 2040 before gradually picking up over the rest of the forecast period rising from 4.7 million in 2040 to 5.3 million in 2060. The total population in 2060 is 1.3 million or 20 per cent lower than the EUROPOP2010 projections.

Such shifts in Ireland's demographic profile would have significant implications for the evolution of the public finances. Foremost amongst these is a substantial rise in age-related public expenditure as a larger share of the population move into age brackets requiring such spending. Notwithstanding these projected demand-led pressures, recent policy reforms captured in these projections largely offset the increase in age-related costs owing to the deteriorated macro-demographic outlook.

2.2 Labour force development

Table 3 – Participation rate, employment rate and share of workers for the age groups 55-64, 65-74

	2013	2020	2030	2040	2050	2060	Peak year
Labour Force Participation rate 55-64	57.3	61.8	65.3	66.0	62.7	64.6	2037
Employment rate for workers aged 55-64	51.2	56.9	61.4	62.8	59.5	61.3	2037
Share of workers aged 55-64 on the total labour force (55-64)	89.4	92.1	93.9	95.1	95.0	94.9	2044
Labour Force Participation rate 65-74	14.0	16.6	21.6	23.0	21.7	20.7	2045
Employment rate for workers aged 65-74	13.7	16.2	21.2	22.7	21.4	20.4	2045
Share of workers aged 65-74 on the total labour force (65-74)	97.8	97.9	98.5	98.8	98.9	98.8	2054
Median age of the labour force	38	41	43	38	38	40	2025

Source: Commission Services

Table 4a – Labour market entry age, exit age and expected duration of life spent at retirement (MEN)

	2013	2020	2030	2040	2050	2060	Peak year
Average effective entry age (CSM) (I)	22.1	22.2	22.2	22.2	22.2	22.2	2020
Average effective exit age (CSM) (II)	69.4	65.3	66.0	66.0	66.0	66.0	2013
Average effective working career (CSM) (II) - (I)	47.3	43.1	43.9	43.9	43.9	43.9	2013
Contributory period	45.0	45.5	46.2	46.2	46.2	46.2	2044
Contributory period / Average working career	95.2	105.5	105.4	105.4	105.4	105.4	2020
Duration of retirement (life expectancy at average effective exit age - the average effective exit age)	15.0	18.8	19.0	19.9	20.9	21.7	2059
Duration of retirement / Average working career	31.7	43.6	43.3	45.3	47.6	49.4	2059
% of adult life spent at retirement (Pension Duration: life expectancy -18)	22.6	28.4	28.3	29.3	30.3	31.1	2059
early/late exit (those who retired aged less than 65: those who retired aged more than 65)	1.1	1.2	1.6	1.3	0.8	1.5	2028

Source: Commission Services

Table 4b – Labour market entry age, exit age and expected duration of life spent at retirement (WOMEN)

	2013	2020	2030	2040	2050	2060	Peak year
Average effective entry age (CSM) (I)	23.6	23.5	23.5	23.5	23.5	23.5	2013
Average effective exit age (CSM) (II)	65.7	65.4	66.1	66.1	66.1	66.1	2030
Average effective working career (CSM) (II) - (I)	42.0	41.9	42.6	42.6	42.6	42.6	2030
Contributory period	29.7	32.7	36.2	38.8	40.8	42.2	2060
Contributory period / Average working career	70.6	78.0	84.9	91.1	95.7	99.1	2060
Duration of retirement (life expectancy at average effective exit age - the average effective exit age)	20.1	21.8	22.0	23.0	24.0	24.9	2060
Duration of retirement / Average working career	47.8	52.0	51.7	54.0	56.4	58.5	2060
% of adult life spent at retirement (Pension Duration: life expectancy -18)	29.7	31.5	31.4	32.4	33.3	34.1	2060
early/late exit (those who retired aged less than 65: those who retired aged more than 65)	1.5	1.5	1.6	1.4	0.8	1.2	2013

Source: Commission Services

Table 5 - Eurostat (ESSPROS) vs. Ageing Working Group definition of pension expenditure (% GDP)

	2006	2007	2008	2009	2010	2011	2012
1. Eurostat total pension expenditure	4.9	5.0	5.2	6.1	7.0	7.1	7.1
2. Eurostat public pension expenditure	3.1	3.2	3.4	4.0	4.7	4.8	4.8
3a. Public Pension expenditure*	3.9	4.2	4.9	5.8	5.9	5.8	5.7
4. Difference (2) - (3a)	-0.7	-1.0	-1.5	-1.7	-1.1	-0.9	-0.9

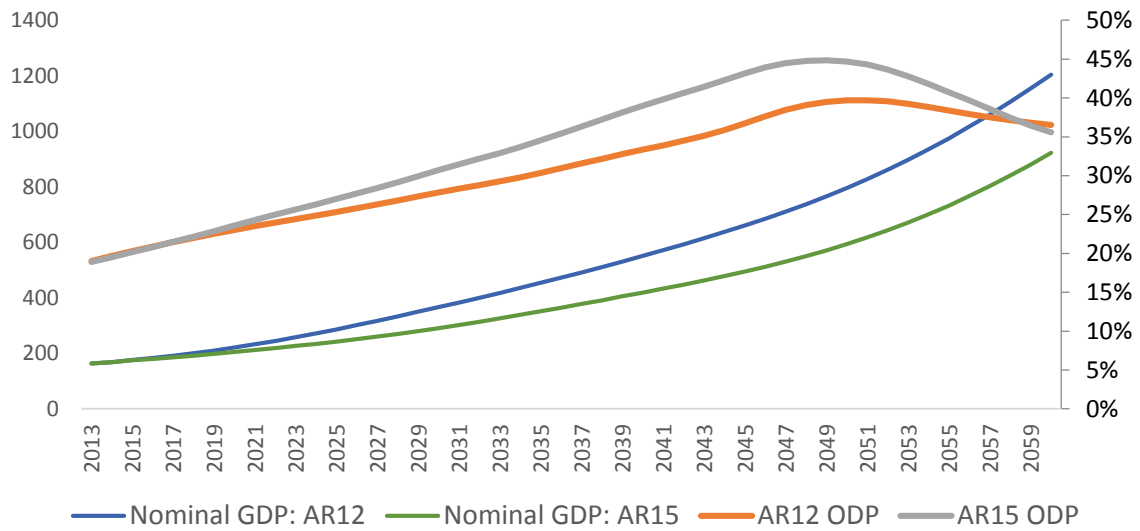
Note: * These figures are calculated from outturn pension expenditure data scaled by AR2015 GDP data.

Table 3 highlights the age cohorts most influenced by reforms to the statutory retirement age (65-74) and those impacted by labour market activation policies aimed at prolonging working life (55-74). Output from the CSM model suggests a steady improvement in labour force participation rates amongst the 55-64 and 65-74 age cohorts throughout most of the forecast period. For the age group 55-64 the projected labour force participation rate in 2060 has been revised upwards by 0.7pp since the last Ageing Report (to 64.6). In addition, the average effective male exit age is set to increase from 64.9 in 2014 to 66 in 2060 while the proportional increase in exit age for women is greater. These improvements are consistent with recent pension reform efforts to prolonging working life.

The above changes will help to partially offset the increase in pension expenditure associated with the lengthening in duration of retirement (owing to higher life expectancy). Length of retirement is expected to rise by approximately 6 years over the forecast horizon.

Revisions to the macro outlook alone since the last Ageing Report imply the level of 2060 GDP is now some 23% (or €282 billion) lower than was assumed in AR 2012. In addition, there has been a considerable deterioration in the old age dependency ratio. For instance, in 2050 the ODP under the AR12 assumptions was 40%, approximately 5 p.p. below the ratio of 45% in this exercise.

Figure 1: Comparison of AR12 and AR15 GDP and Demographic projections



3 Pension projection results

3.1 Extent of the coverage of the pension schemes in the projections

The projections presented below cover the following components of the pension system.

- **Contributory Public Pensions**

Covers old-age, disability and survivors pensions under the social insurance system and the public service component of the second pillar (POPS). It also includes other legacy pension schemes such as contributory pensions for those who contributed before 1953²⁰.

- **Non-earnings related Public Pensions**

Covers non-contributory old-age and early retirement, disability and survivor pensions under the Social Assistance system (non-earnings means-tested basic pensions). This component accounted for 1.7% of GDP in 2013^{21,22}.

3.2 Overview of projection results

Tables 6 and 7 present the main results of the pension projections exercise for Ireland. A range of technical assumptions covering demographic and labour force developments underpin the results, the details of which are provided in section 2.

As can be seen from the below table, spending on PSS and POPS pensions is projected to increase considerably in the coming decades - from around 7.8% of GDP in 2013 to 10.6% in 2050 before falling back to 9.0% by 2060. Compared with the 2012 projections, 2060 expenditure levels are 2.7 p.p. of GDP lower (nominal pension expenditure is 41% lower while nominal GDP is some 23% lower)

However, the profile of these two components of total pension expenditure differs significantly. PSS spending as a proportion of GDP remains roughly stable until 2022 before increasing steadily between 2022-2049 and then falls moderately from 2050 until the end of the forecast period.

In contrast, there is a sharp rise in POPS pension spending from 2.0% in 2013 to 2.9% in 2025. Thereafter, spending remains flat between 2025-2040 before falling to 1.5% in 2060. This fall is attributable to the introduction of the Single Scheme for new public service entrants²³. Therefore, the rise in overall pension expenditure as a share of GDP is driven by PSS pensions.

²⁰ The pre-53 pension is payable to those who commenced insurable employment before 1953 and who had at least five years paid insurance.

²¹ "The European System of National Accounts (ESA) 2010 was introduced from September 2014. As decided by the AWG, Member States do not need to update their pension country fiches to reflect the new national accounts. The Commission services will incorporate the ESA2010 revision by updating the GDP series for the base year (2013), and by applying the previous growth rates of both GDP and the pension projections from 2013 onwards throughout the projection horizon".

²² Figures reported in the 2015 Ageing Report are rebased to ESA10 as explained above while those reported in the country fiche are on an ESA95 basis.

²³ See section 1.2 for more detail

Projected tax revenues relating to both types of pensions are not included in the model and therefore net pension expenditure is not provided in the projections due to data constraints²⁴. The distortionary impact of this omission however is limited since PSS pensions are not taxed as they do not reach the minimum tax threshold.

The projected value of PRSI contributions (employer, employee and self-employed) is assumed to be constant over the entire timeframe at the 2013 rate of 4.45% of GDP. It should be noted that PRSI revenue e.g. employer and employee contributions, is used to fund a wider range of social insurance benefits beyond the component relating solely to PSS pensions²⁵. Projecting pension provisioning on the basis of PRSI contributions therefore serves to overestimate the degree of public pension contributions.

Table 6 - Projected gross pension spending and contributions (% of GDP)

	2013	2020	2030	2040	2050	2060	Peak year
Gross public pension expenditure	5.9	5.9	6.8	7.9	8.5	7.5	2049
Private occupational pensions (POPS)	2.0	2.6	2.9	2.7	2.1	1.5	2026
Gross Total Pension Expenditure*	7.8	8.5	9.7	10.7	10.6	9.0	2045
Public Pension Contributions**	3.3	3.3	3.3	3.3	3.3	3.3	na
Total Pension Contributions	4.5	4.5	4.5	4.5	4.5	4.5	na

Note: *includes PSS and POPS pension expenditure figures may not sum due to rounding ** PRSI revenue from private sector (scaled by public/private employment share). Held as a fixed proportion of GDP over horizon by assumption. *** Aggregate PRSI revenue.

Table 7 - Projected gross public pension spending by scheme (% of GDP)

	2013	2020	2030	2040	2050	2060	Peak Year
Total Public Pensions (PSS and POPS)	7.8	8.5	9.7	10.7	10.6	9.0	2045
<i>of which earnings related</i>							
Old age and early pensions (% GDP)*	2.5	2.8	3.4	4.6	5.8	5.0	2051
Private occupational pensions (POPS)	2.0	2.6	2.9	2.7	2.1	1.5	2026
Disability Pensions (% GDP)**	0.4	0.4	0.7	0.7	0.6	0.5	2040
Survivors Pensions (% GDP) ***	0.8	0.8	0.8	0.7	0.5	0.4	2013

²⁴ It is impossible to distinguish pension income from non-pension income on the basis of tax records.

²⁵ PRSI revenue is also used to fund jobseekers benefit, health and safety benefit, maternity benefit, adoptive benefit etc. Approximately 80% of Social Insurance expenditure was spent on the pension schemes covered in these projections. This proportion will increase throughout the forecast period as expenditure on unemployment programs such as jobseekers benefit will continue to fall as the economy recovers and pension expenditure will continue to increase following changes in Ireland's demographic profile.

	2013	2020	2030	2040	2050	2060	Peak Year
Other Pensions (% GDP) ****	0.4	0.4	0.4	0.4	0.3	0.3	2013
<i>of which non-earnings related</i>							
State non-contributory pension	0.6	0.6	0.5	0.5	0.4	0.3	2013
Disability allowance	0.7	0.6	0.6	0.6	0.6	0.6	2013
Carer's allowance	0.3	0.3	0.3	0.3	0.3	0.3	2043

Note: *Includes State contributory pension and State transition pension ** Includes invalidity pension *** Includes widows', widower's or surviving civil partner's contributory pension **** Includes carer's benefit, illness benefit and deserted wife's benefit.

Table 7 outlines components of the overall pension projection. The bulk of the increase in total expenditure is attributable to old age and early pensions. This component is set to increase by 2.5 p.p. of GDP between 2013 and 2060. The effect of the rate freeze serves to contain growth out to 2017, with increases over 2020 to 2050 driven by both demographics and the effect of longer contributory periods amongst females in particular.

Non-earnings related benefits decline as a percentage of GDP throughout the forecast period. This is most evident in relation to the state non-contributory pension payments, which fall by 0.3 p.p of GDP. Similarly, survivors' pensions are set to decrease by 0.4 p.p of GDP. This, however, is largely compositional as more individuals are assumed to transition to receipt of the State contributory pension over the forecast horizon²⁶. The share of the female population aged 66+ receiving a contributory state pension is set to increase significantly from 43% to 76% over the horizon reflecting sustained improvements in female participation.

Earnings-related disability pensions are projected to increase from 0.4% in 2020 to 0.7% in 2030. This rise is largely due to the stepped increase in the statutory retirement age from 66 in 2014 to 68 in 2028 as the model assumes that eligibility ages for schemes such as invalidity pension increase proportionately²⁷. The drag from this component will partially offset some of the projected benefits arising from recent pension reforms.

Disability allowance and carer's allowance remain relatively steady throughout the forecast period as the share of the population by age cohort receiving these benefits is assumed to remain constant.

3.3 Description of main driving forces behind the projection results and their implications for pension expenditure

²⁶ You cannot get a widows, widower's or surviving civil partners pension at the same time as the SCP.

²⁷ For example, in 2021 when the statutory retirement age increases from 66 to 67 the invalidity pension eligibility age will increase from 65 to 66.

Decomposing the spending projections reveals that much of the projected increase in public pension expenditure out to 2050 is attributable to Ireland’s changing demographic profile, where the effect of the dependency ratio is shown to dominate over other drivers (Tables 8). As expected, the increasing proportion of elderly compared to the working population places the most stress on spending.

Demographic factors (captured by the strong positive contribution from *the dependency ratio effect*), are partially offset by the projected fall in the ratio of pension beneficiaries to the population aged 65 and over (a negative *coverage ratio effect*) out to 2050. The old age dependency ratio peaks in 2049 resulting in a negative dependency ratio effect thereafter.

Reflecting the effect of the rate freeze and the effect of the shift towards total contributions approach (TCA), the benefit ratio (the average pension payments to GDP per hour worked) falls out to 2020. This is captured in Tables 8 by the initial negative benefit ratio effect

Table 8a - Factors behind the change in public pension expenditures between 2013 and 2060 (p.p. GDP) – Public Pensions (PSS) only

	2013-20	2020-30	2030-40	2040-50	2050-60	2013-2060
Public Pensions to GDP	0.0	0.9	1.1	0.6	-1.1	1.6
Dependency ratio effect	1.4	1.8	1.6	1.2	-1.7	4.3
Coverage ratio effect	-0.5	-0.6	-0.3	-0.4	0.5	-1.3
Coverage ratio old-age	-0.2	-0.2	0.1	0.1	0.1	0.0
Coverage ratio early-age	-0.6	-0.6	0.8	1.1	-1.2	-0.6
Cohort effect	-0.6	-0.9	-2.2	-3.1	3.8	-2.9
Benefit ratio effect	-0.6	0.0	0.0	-0.1	0.0	-0.7
Labour market/Labour intensity effect	0.0	0.0	0.0	0.0	0.0	0.0
Employment ratio effect	-0.2	-0.1	-0.1	-0.1	0.0	-0.4
Labour intensity effect	0.0	0.0	0.0	0.0	0.0	0.0
Career shift effect	-0.1	-0.1	-0.1	0.0	0.2	0.0
Residual	-0.2	-0.2	-0.1	0.0	0.2	0.0

Note: See annex 2 for calculation methodology

Table 8b below replicates the same decomposition including the impact of private occupational public sector (POPS) pensions. As expected, the benefit ratio effect exerts a stronger offset to the demographic impact, relative to Table 8a. Owing to a freeze in pension payments until 2017, the introduction of the Single Scheme and Total Contributions Approach, the fall in the benefit ratio significantly mitigates spending pressures throughout the forecast period. Similarly, the increase in the employment rate has a small offsetting impact on POPS spending over the 2013-2050 period.

Table 8b - Factors behind the change in public pension expenditures between 2013 and 2060 (p.p. GDP) – Total pensions (inc. POPS private occupational)

	2013-20	2020-30	2030-40	2040-50	2050-60	2013-2060
Public Pensions to GDP	0.7	1.2	1.0	0.0	-1.7	1.1
Dependency ratio effect	2.0	2.7	2.2	1.7	-2.1	6.4
Coverage ratio effect	-0.7	-1.0	-0.6	-0.5	0.6	-2.2
Coverage ratio old-age	-0.2	-0.5	-0.1	0.1	0.2	-0.6
Coverage ratio early-age	-0.9	-0.9	1.1	1.5	-1.5	-0.7
Cohort effect	-0.8	-1.3	-3.1	-4.1	4.7	-4.6
Benefit ratio effect	-0.2	0.0	-0.3	-0.9	-0.4	-1.9
Labour market/Labour intensity effect	0.0	0.0	0.0	0.0	0.0	0.0
Employment ratio effect	-0.2	-0.1	-0.1	-0.1	0.0	-0.5
Labour intensity effect	0.0	0.0	0.0	0.0	0.0	0.0
Career shift effect	-0.1	-0.2	-0.1	0.0	0.3	0.0
Residual	-0.2	-0.3	-0.2	-0.1	0.2	-0.6

Note: See annex 2 for calculation methodology

Table 9 - Replacement rate at retirement (RR) and coverage by pension scheme (in %)

	2013	2020	2030	2040	2050	2060
Public Scheme (RR)*	31.2	29.3	29.3	29.3	29.1	28.7
Public Scheme (Benefit Ratio)	27.9	26.5	26.6	26.5	26.2	26.1
Public Scheme Coverage	96.4	96.0	97.8	100.0	100.0	100.0
Public Scheme old-age earnings related (RR)	33.9	31.9	31.5	31.0	30.4	30.4
Public Scheme old-age earnings related (Benefit Ratio)	29.6	27.8	27.6	27.1	26.5	26.5
Public Scheme old-age earnings related Coverage	39.0	43.4	47.7	57.3	66.7	65.4
Private Occupational Scheme (Benefit Ratio)	53.3	58.1	50.1	43.4	35.7	33.7
Private Occupational Scheme Coverage	16.8	19.6	22.0	21.2	18.3	15.7
Total (Benefit Ratio)	35.8	36.9	37.0	35.7	32.7	31.3

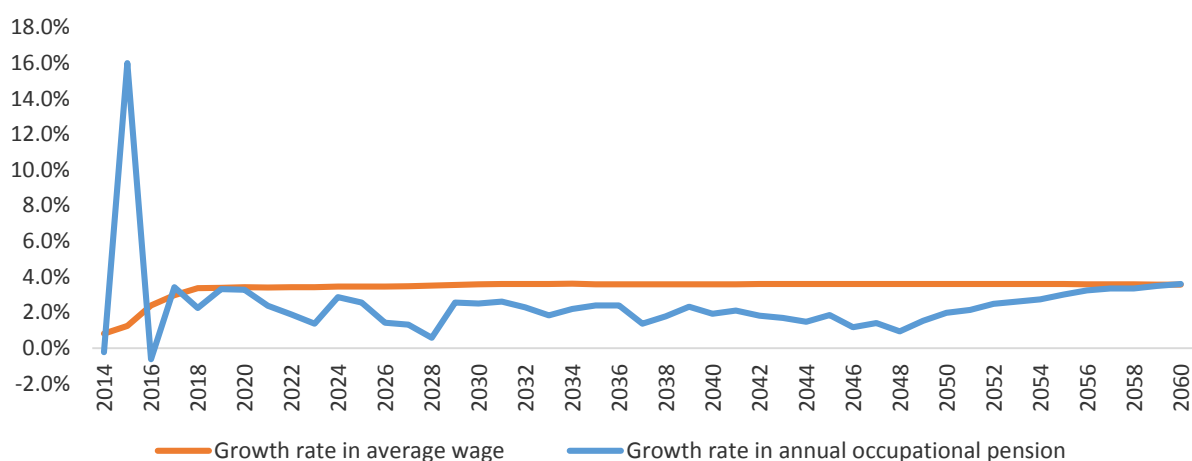
Note: All RRs reported on a new pensions flow basis. BRs reported on a stock of pensioners basis. Public scheme covers old-age earnings-related, disability, survivors and non-contributory. Private occupational replacement rate and total replacement rates are not reported as new pensions data on POPS basis is not available since POPS modelled using a representative agent approach.

In aggregate, the benefit ratio indicates that average pensions amount to just over a third of average earnings, with this relationship forecast to remain quite steady throughout the forecast period²⁸. The replacement rate at retirement (average new pension/average wage at retirement) declines slightly from 2013 to 2020 on account of the shift to TCA approach (reducing average pensions). However the lengthening of contribution histories offsets this, resulting in an essentially flat profile throughout the rest of the forecast period²⁹.

As discussed earlier, public scheme old age earnings-related coverage is forecast to improve substantially throughout the forecast period rising from 39% in 2013 to 65% in 2060. This is largely driven by the rising proportion of females shifting from non-contributory to earnings-related pensions.

The POPS benefit ratio is set to increase sharply until 2020 before rapidly declining throughout the remainder of the forecast period. This reflects the fact that average POPS pension per pensioner is set to increase more slowly than average earnings. This is largely due to the transfer of expenditure from POPS pensions to PSS pensions as non-integrated POPS pensions gradually decline throughout the forecast period³⁰.

Figure 2: Determinants of POPS pension benefit ratio



²⁸ Benefit ratio calculated as the average pension over the economy wide average wage

²⁹ Due to data limitations average industrial earnings are used as a proxy for the economy wide average wage at retirement when calculating replacement rates. This is forecast to grow at the same rate as nominal earnings throughout the forecast period.

³⁰ Pre-1995 public service pensions are non-integrated meaning that they do not receive the SCP. Instead, their pension payments come entirely from POPS pension expenditure. Post-1995 public service pensions, on the other hand, are integrated meaning that they receive the SCP with the remaining proportion of their pension coming from occupational pension expenditure.

Table 10 – System Dependency Ratio and Old-age Dependency Ratio

	2013	2020	2030	2040	2050	2060
(1) Number of public pensioners (000's)	846	934	1090	1286	1395	1342
(2) Employment (000's)	1827	1870	1883	1907	1897	2075
(3) Pension system dependency ratio (SDR) (1/2)	46	50	58	67	74	65
(4) Number of people aged 65+	570	689	883	1085	1240	1124
(5) Working age population 15-64	3017	2923	2876	2784	2775	3157
(6) Old age dependency ratio (ODR) (4/5)	19	24	31	39	45	36
(7) System efficiency (SDR-ODR) (3/6)	2.5	2.1	1.9	1.7	1.6	1.8

Source: Commission Services

Demographic pressures will cause the pension system dependency ratio (number of pensioners/total employment) to rise substantially between 2013 and 2050. The number of pensioners will increase by 65% while total employment will remain roughly constant over the same period. As the old age dependency ratio (ODR) is set to more than double between 2013 and 2050, overall pension system efficiency ratio is set to decline over time.

A measure of pension system efficiency (SDR/ODR) demonstrates the extent to which policy or institutional factors dominate over demographic influences. There is a significant fall in the system efficiency variable from 2.5 in 2013 to 1.6 in 2050 (a decrease of approximately one third). This means that the SDR would be approximately 50% larger without the effects of these policy/institutional factors. In particular, the improvement in labour force participation rates partially offsets the impact of the fall in the working age population. In addition, the increase in the statutory retirement age serves to partially mitigate the growth in number of pensioners.

Table 11a – Pensioners (public schemes) to inactive population ratio by age group (%)

	2013	2020	2030	2040	2050	2060
Age Group (<54)	10.5	9.7	10.2	9.9	9.5	9.8
Age Group (55-59)	62.9	66.4	71.5	68.8	61.2	61.2
Age Group (60-64)	55.4	58.7	60.3	62.4	54.1	55.8
Age Group (65-69)	111.7	112.4	101.7	105.4	105.7	100.5
Age Group (70-74)	110.3	105.7	110.7	113.5	112.8	111.0
Age Group (75+)	97.6	96.8	99.2	100.8	99.3	99.1

Table 11b – Pensioners (public schemes) to population ratio by age group (%)

	2013	2020	2030	2040	2050	2060
Age Group (<54)	5.1	4.9	5.0	4.9	4.8	4.9
Age Group (55-59)	20.6	19.7	18.9	18.5	17.6	17.5
Age Group (60-64)	29.9	28.0	26.4	25.3	24.3	24.2
Age Group (65-69)	92.7	84.4	69.4	69.8	71.3	67.6
Age Group (70-74)	99.3	98.5	100.2	101.4	100.2	100.2
Age Group (75+)	96.9	96.8	99.2	100.8	99.3	99.1

Table 12a – Female Pensioners (public schemes) to inactive population ratio by age group (%)

	2013	2020	2030	2040	2050	2060
Age Group (<54)	11.4	10.7	11.2	10.7	10.1	11.9
Age Group (55-59)	57.0	61.0	66.8	69.9	60.0	60.0
Age Group (60-64)	50.7	56.6	57.4	61.3	53.3	54.3
Age Group (65-69)	98.7	103.2	103.3	108.0	109.9	105.2
Age Group (70-74)	100.0	99.6	106.5	110.4	111.9	110.2
Age Group (75+)	92.6	93.3	97.4	100.2	99.8	99.5

Table 12b – Female Pensioners (public schemes) to population ratio by age group (%)

	2013	2020	2030	2040	2050	2060
Age Group (<54)	6.0	5.7	5.9	5.7	5.5	5.6
Age Group (55-59)	24.1	22.7	21.2	20.5	19.5	19.5
Age Group (60-64)	33.0	31.0	28.4	26.7	25.2	25.2
Age Group (65-69)	88.4	83.2	74.3	74.6	75.6	73.1
Age Group (70-74)	94.8	95.6	98.8	101.0	101.2	101.2
Age Group (75+)	92.4	93.3	97.4	100.2	99.8	99.5

In tables 11 and 12, the volume of pensioners is divided by both the total and inactive population in their age cohort, respectively. The inclusion of carers allowance and deserted wives benefit recipients

in the projections can result in ratios above 100% for the older age groups as these benefits can be received alongside either State pension (SCP or SNCP). In addition, the numerator includes resident and cross-border beneficiaries whereas the denominator refers only to resident population.

The pensioners to population ratio is set to decrease significantly in the 65-69 age group, which decreases from 93% in 2013 to 68% in 2060. This is largely attributable to increases in the statutory retirement age as the ratio remains quite steady from 2028 onwards. However, age-related participation rate improvement particularly amongst the over 55s also drives this ratio.

Table 13a- Projected and disaggregated new PSS expenditure (old-age and early earnings-related pensions) - Total

	2013	2020	2030	2040	2050	2060
Projected new pension expenditure (millions EUR)	490	397	682	1221	1813	1401
I. Average Contributory Period	38.5	39.8	41.3	42.3	43.0	43.6
II. Monthly Average Pensionable Earnings ('000 EUR)	1013	1129	1571	2201	3062	4347
IV. Number of new pensioners ('000) (per annum)	40.3	29.3	36.2	46.2	49.4	26.9
V. Average number of months paid the first year	12	12	12	12	12	12
Monthly average pensionable earnings / Monthly economy-wide average wage (%)	29.7	27.9	27.6	27.1	26.5	26.5

Note: Monthly average pensionable earnings equates to average monthly pension payments.

Table 13b - Projected and disaggregated new PSS expenditure (old-age and early earnings-related pensions) - Male

	2013	2020	2030	2040	2050	2060
Projected new pension expenditure (millions EUR)	320	250	393	653	852	708
I. Average Contributory Period	45.0	45.5	46.2	46.2	46.2	46.2
II. Monthly Average Pensionable Earnings ('000 EUR)	1025	1142	1581	2212	3079	4370
IV. Number of new pensioners ('000) (per annum)	26.0	18.3	20.7	24.6	23.1	13.5
V. Average number of months paid the first year	12	12	12	12	12	12
Monthly average pensionable earnings / Monthly economy-wide average wage (%)	30.1	28.2	27.8	27.3	26.7	26.6

Note: Monthly average pensionable earnings equates to average monthly pension payments.

Table 13c - Projected and disaggregated new PSS expenditure (old-age and early earnings-related pensions) - Female

	2013	2020	2030	2040	2050	2060
Projected new pension expenditure (millions EUR)	170	147	290	568	961	693
I. Average Contributory Period	29.7	32.7	36.2	38.8	40.8	42.2
II. Monthly Average Pensionable Earnings ('000 EUR)	989	1107	1556	2189	3046	4324
IV. Number of new pensioners ('000) (per annum)	14.3	11.1	15.5	21.6	26.3	13.4
V. Average number of months paid the first year	12	12	12	12	12	12
Monthly average pensionable earnings / Monthly economy-wide average wage (%)	29.0	27.3	27.3	27.0	26.4	26.3

Note: Monthly average pensionable earnings equates to average monthly pension payments.

Tables 13a, 13b and 13c provide a detailed decomposition of new old-age and earnings related pensions.

The gender difference in the monthly average pensionable earnings is set to narrow throughout the forecast horizon as the proportion of women receiving earnings-related pension benefits (which are more generous than their non-contributory counterparts) is set to increase significantly.

The fall in the number of new pensioners between 2013 and 2020 is due to the phasing out of the State transition and pre-retirement allowance (PRETA). From 2020 until 2050, the number of new pensioners continues to rise as the proportion of the population at retirement age steadily increases (demographics).

Monthly average pensionable earnings as a proportion of the average wage are set to decline moderately over the forecast period. This is primarily attributable to the effect rate freeze to 2017, the impact of which on pension outlays cumulates over time.

3.4 Financing of the pension system

Table 14 - Revenue from contribution (€ million), number of contributors in the public scheme (in 1000s), total employment (in 1000s) and related ratios (%)

	2013	2020	2030	2040	2050	2060
Public Contribution	9639	12053	19815	33161	50563	68853
Employer contribution	5331	6667	9452	13617	19281	29960
Employee contribution	1977	2472	3504	5049	7149	11108
State contribution	2331	2915	6859	14495	24134	27785
Number of contributors (1)	2,300	2,354	2,371	2,401	2,388	2,612
Employment (2)	1827	1870	1883	1907	1897	2075
Ratio of (1) / (2) ³¹	1.26	1.26	1.26	1.26	1.26	1.26

The projected value of Pay Related Social Insurance contributions as a share of GDP (employer, employee and self-employed) is assumed to remain constant over the entire timeframe at the 2013 level (4.45% of GDP). The split between employer and employee PRSI contributions is also held constant throughout the forecast period at their currently observed levels (73% and 27% respectively).

The state is obliged to cover any of the remaining financing gap between PSS pension expenditure and employer and employee contributions. This is covered by way of a subvention from the Exchequer (Central Government). The proportion of PSS pension expenditure covered by the state is projected to increase substantially from 24% in 2013 to a peak of 48% in 2050 before falling to 40% in 2060. In terms of GDP this amounts to 1.5% in 2013, peaking at 4.1% in 2049 before falling back to 3% by 2060.

It should be noted that PRSI revenue (both employer and employee contributions), is used to fund a wide range of social insurance benefits, beyond the pension component. Thus, the above figures serve to underestimate the required social security pension subvention requirement throughout the forecast period³².

The state is also obliged to cover any of the remaining financing gap between POPS pension expenditure and public service pension contributions. The POPS pension subvention was approximately €1.4 billion in 2013³³. However, forecasts of long-term POPS pension contributions are not possible to generate.

³¹ The ratio of contributors to employment is above 100% as PRSI contributions are a weekly charge i.e. where a person has worked for one week in the year they are recorded as a contributor whereas employment figures are based on annual average levels.

³² However, PRSI revenue is assumed to remain constant over the forecast horizon despite the fact that the average contributory period and proportion of people covered by old-age earnings related pensions is set to increase. This serves to underestimate PRSI revenue and thus overestimate the funding gap.

³³ This includes the pension related deduction as a POPS pension contribution. If the PRD is excluded the POPS pension subvention (net cost of POPS pensions) was approximately €2.3 billion (82% of gross cost of POPS pensions). These figures exclude local authority pension expenditure.

The number of contributors is mechanically assumed to increase in line with employment growth. The Commission forecasts underpinning these estimates indicate this will be negligible throughout the forecast period. Average employment growth averages just 0.3% per annum over the period 2013-2060. On this basis, the number of contributors per pensioner falls significantly over the forecast horizon from 2.6 in 2013 to 1.9 in 2060.

3.5 Sensitivity analysis

Table 15 – PSS pension expenditures under different scenarios (pp GDP deviation from the baseline)

	2013	2020	2030	2040	2050	2060
Baseline	5.9	5.9	6.8	7.9	8.5	7.5
Higher life expectancy	0.0	0.0	0.1	0.2	0.3	0.4
Higher labour productivity (+ 0.25 pp)	0.0	0.0	0.0	0.0	0.0	0.0
Lower labour productivity (- 0.25 pp)	0.0	0.0	0.0	0.0	0.0	0.0
Higher employment rate (+ 2 pp)	0.0	-0.1	-0.2	-0.2	-0.2	-0.2
Higher employment of older workers (+10 pp)	0.0	-0.1	-0.3	-0.4	-0.4	-0.3
Lower Migration	0.0	0.0	0.0	0.0	0.1	0.3
Risk (TFP growth 0.8 per annum)	0.0	0.0	0.0	0.0	0.0	0.0
Dynamic retirement age scenario	0.0	0.0	-0.2	-0.4	-0.6	-0.4
Alternative dynamic retirement scenario (using baseline GDP)	0.0	0.0	-0.2	-0.3	-0.4	-0.3

Note: Sensitivity analysis applied to PSS pensions only. Not possible to replicate for POPS component

In order to test the robustness of these pension projection results to a range of assumptions a sensitivity analysis was carried out in line with the harmonised range of shocks endorsed by the EPC³⁴

³⁵.

Intuitively, a positive life expectancy shock leads to an increase in PSS pension expenditure as a proportion of GDP, as pension recipients spend longer in retirement. By 2060, PSS spending under the higher life expectancy scenario is 0.4 p.p. of GDP higher relative to baseline. It should be noted that

³⁴ The higher life expectancy scenario assumes an increase in life expectancy at birth of one year by 2060 compared to the baseline scenario. This is achieved by decreasing the age-specific mortality rates linearly over the entire forecast period. The higher/lower labour productivity scenarios assumes convergence to a productivity growth rate that which is 0.25 percentage points higher/lower than in the baseline scenario. The increase/decrease is introduced linearly over the period 2014 to 2023 with productivity assumed to remain 0.25 percentage points higher/lower thereafter. The higher employment rate scenario allows for an employment rate which is 2 percentage points above that in the baseline scenario. The increase is introduced over the period 2014-2023 and remains 2 percentage point higher thereafter. The higher employment rate of older workers scenario assumes an increase of 10 percentage points in the employment rate of older workers between 2014 and 2023. The employment rate of this cohort is assumed to remain 10 percentage points higher relative to the baseline thereafter. The lower migration scenario assumes 10% less migration when compared to the baseline projection. The dynamic retirement age scenario links the retirement age to increases in life expectancy. In particular, the statutory retirement age is shifted every five years, by the entire past 5 years increase in life expectancy.

³⁵ The sensitivity shocks were applied exclusively to social security pension schemes.

currently, the Irish pension system does not include any mechanism that links the statutory retirement age to changes in life expectancy in order to offset such cost pressures. The effects of such an approach are illustrated under the dynamic retirement age scenario reported above. A policy linking retirement age to increases in life expectancy could be expected to lead to a considerable fall in PSS pension expenditure as a share of GDP compared to the baseline by 2060 (0.4 per cent of GDP lower).

Higher (lower) labour productivity leads to an increase (decrease) in PSS pension expenditure relative to baseline. The projection methodology indexes rates of pension payment to changes in nominal earnings, the real component of which is assumed to grow in line with productivity. As a result, the higher (lower) productivity scenario leads to an increase (decrease) in real PSS pension spending which is almost completely offset by a higher/lower nominal figure – leaving the marginal impact relative to Baseline unchanged.

A 1pp higher employment rate in general leads to a 0.2 p.p. reduction in PSS pension spending as a proportion of GDP by 2060 relative to the baseline.

The higher employment rate of older workers scenario, in particular, leads to a more pronounced reduction in PSS pension expenditure suggesting targeted policies to boost employment for older workers can have a more pronounced benefit in lower pension spending. For instance, PSS pension expenditure in 2050 under the higher employment rate of older workers is 0.3 per cent of GDP lower compared to the baseline. These projections suggest that putting in place targeted policy measures that serve to increase the share of the older population at work would be of help in meeting the pensions funding challenge.

3.6 Description of the changes in comparison with the 2006, 2009 and 2012 projections

Table 16 - Average annual change in total pension expenditure to GDP during the projection period under the 2006, 2009, 2012 and 2015 projection exercises

	Public Pensions to GDP	Dependency Ratio	Coverage Ratio	Employment Effect	Benefit Ratio	Labour Intensity	Residual (incl. interaction effect)
2006	6.5	7.9	-1.4	-0.5	0.8	na	-0.2
2009	6.1	8.0	-2.1	-0.3	0.8	na	-0.4
2012	4.1	7.2	-2.8	-0.5	0.8	-0.01	-0.5
2015	1.2	6.4	-2.2	-0.5	-1.9	-0.03	-0.6

As Table 16 indicates, current projections together with the previous three vintages point towards the dominance of demographics in terms of driving future pension outlays. Proportionately however, there is now a greater offset from the falling benefit ratio on account of both the rate freeze and the impact of the change to the public service Single Scheme.

Table 17a - Decomposition of the difference between 2012 and the new PSS projection (% of GDP)

	2013	2020	2030	2040	2050	2060
Ageing Report 2012 (base)	5.7	6.5	6.6	7.4	8.5	8.3
Change in assumptions	0.0	0.1	0.7	0.9	0.8	-0.1
Improvement in coverage/ modelling	0.2	0.0	0.3	0.4	0.2	0.2
Policy related changes	0.0	-0.7	-0.8	-0.9	-1.0	-0.9
New Projections (AR 15)	5.9	5.9	6.8	7.9	8.5	7.5

Table 17b - Decomposition of the difference between 2012 and the new total public pension projection (PSS + POPS) (% of GDP)

	2013	2020	2030	2040	2050	2060
Ageing Report 2012	7.9	9.0	9.0	10.0	11.4	11.7
New Projections	7.8	8.5	9.7	10.7	10.6	9.0

The 2012 exercise covered the same range of schemes (Social Security and Public Service pensions) and used a broadly similar projection methodology. Thus, differences in the results are primarily attributable to changes in the underlying assumptions, revised outturn data and the full incorporation of the impact of transition to the Total Contributions Approach (TCA) by 2020 into the model.

Overall, current total pension projections (PSS and POPS) as a proportion of GDP are considerably lower by the end of the forecast period compared to the 2012 exercise with total public pension spending expected to amount to 9.0% of GDP by 2060 compared to 11.7% under the previous Report.

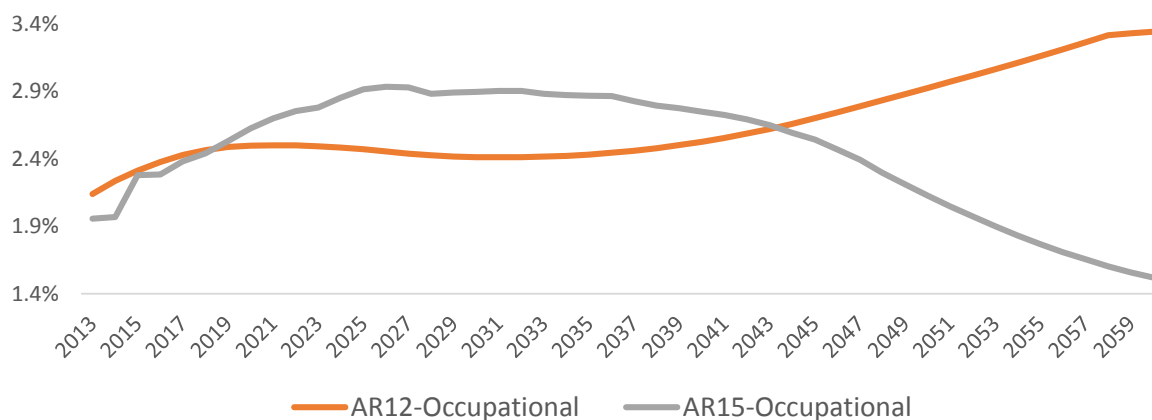
This decrease is primarily due to the substantial reduction in POPS spending. By 2060 POPS pension spending volume is forecast to be roughly one third of what it was at the time of the last Report. This fall is largely attributable to the introduction of the Single Scheme for new public service entrants. The level of benefits under this scheme are expected to be significantly lower than those applying under the precursor scheme in place at the time of the previous exercise³⁶. In addition, projected public service pay and pension rates have been significantly reduced since the last exercise (due to lower wage growth), and there is a freeze on both until 2016. Under the previous exercise, it was assumed that both pay and pensions would increase at 3.8% p.a. leading to an expected increase of 30% in rates in the period from 2009 to 2016. In the current exercise, public pay and pensions are frozen until 2017

³⁶ See section 1.2 for more detail

and assumed to increase on a real basis by approximate 1.5 p.p. per annum thereafter. The Single Service pension component is assumed to grow in line with CPI from 2017 onwards.

Also, in the previous exercise it was assumed that there would be a large increase in the number employed in the public service in the period to 2018. However, there has actually been a fall in public service employment since 2009 and current projections assume no significant increase in public service employment in the period to 2018.

Figure 3: POPS pension expenditure as a percentage of GDP



The decomposition of the difference between 2012 and the new PSS pension projections are set out in table 17a. The first row displays PSS pension projections as a share of GDP as reported in the 2012 Ageing Report. The second row isolates the impact of the new macro assumptions on PSS spending³⁷. The third row displays the effects of the new pension data outturns and changes to the modelling attributable to the full incorporation of the TCA approach³⁸. The fourth demonstrates the impact of policy changes i.e. the rate freeze³⁹. The final row displays AR15 PSS pension expenditure as a share of GDP.

Table 17a clearly illustrates the strong negative effect of the worsened macro assumptions on the projected pension spending. At its peak, the deteriorated macro assumptions account for almost a 1 p.p. increase in PSS spending ratio. Also, the significant positive offset of the rate freeze in reducing pension outlays is clearly evident throughout the forecast horizon. The incorporation of these two factors account for the bulk of the divergence between AR12 and AR15 projections.

For instance, in the early and later stages of the forecast horizon PSS expenditure as a share of GDP is below AR12 projections as the effects of the rate freeze outweighs the muted impact of the new macro assumptions. However, throughout the 2025-2050 period AR15 projections are above AR12 as the impact of the worsened macro assumptions intensifies and cumulates over time. For example, in 2050

³⁷ This is achieved by calculating the difference between AR15 projections and AR15 projections using the AR12 macro assumptions.

³⁸ This is achieved by calculating the difference between the AR15 projections (with the AR12 macro assumptions) and AR12 projections.

³⁹ This is obtained by calculating the difference between the AR15 projections with and without the rate freeze. AR12 held social security rates constant until 2013 whereas under the current exercise they are held constant until the end of 2016.

the old-age dependency ratio under the AR12 assumptions was 40% approximately 5 p.p. below the ratio of 45% used in this exercise.

Figure 4: Social security pension expenditure as % GDP

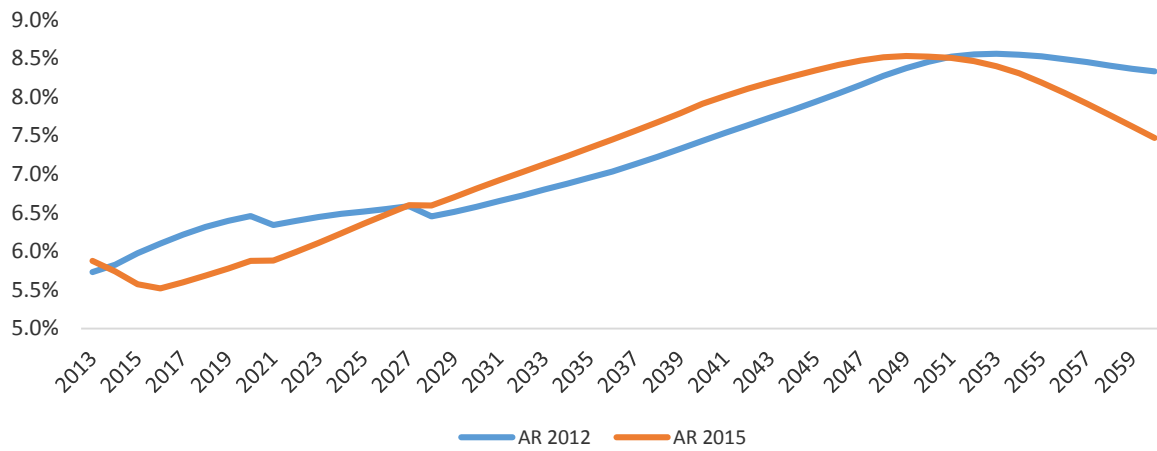


Figure 5: Growth rate in number of public pensioners

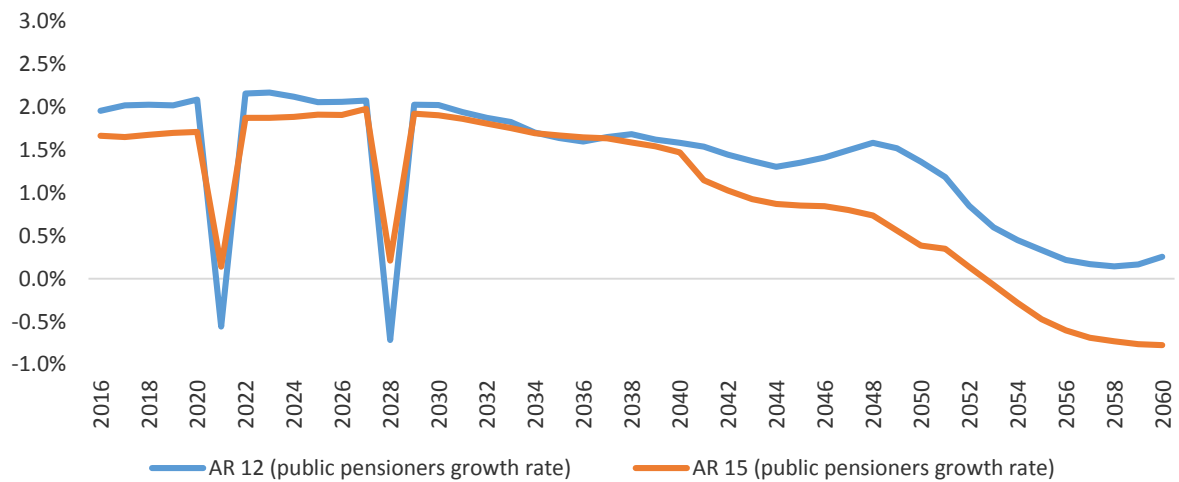
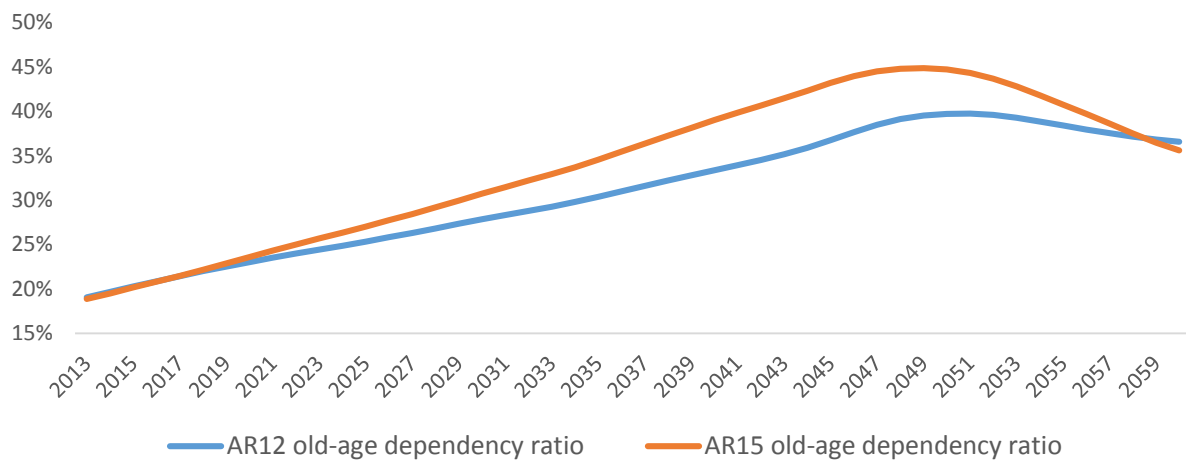


Figure 6: Evolution of the old age dependency ratio



What is not evident from the figures above is the substantial reduction in the nominal cost of total pension payments compared to the previous projection exercise. In the 2015 baseline scenario, total pension costs in 2060 amounted to €83bn compared to €141bn under the 2012 baseline scenario. There are a number of factors which underlie this decrease which include;

- the present freeze on social security pension rates means the new rates applicable for projection purposes is considerably lower. In the normal course of events pension rate increases are assumed at c. 3.5% per annum (approximately 1.5% for productivity & 2% for inflation, as per previous exercises).

- the shift in demographics implies a considerable shrinkage of population from what was envisaged in 2012

4 Description of the pension projection model and its base data

4.1 Institutional context in which those projections are made

The projections presented as part of this exercise were undertaken by the Department of Finance with assistance from the Department of Social Protection and the Department of Public Expenditure and Reform.

The basic data used to run the pension model were supplied in 2014 by the Department of Social Protection and Department of Public Expenditure and Reform (for public sector workers) and refer to the base year 2013. All macro-economic projections are compiled on an ESA 95 statistical basis. All data are categorized by type of pensions (old-age and early retirement, disability and survivors), by sex and age (at 31 December each year).

4.2 Data used to run the model

The macroeconomic and demographic variables used in the projections are exogenous as agreed by the Ageing Working Group (AWG).

In addition, data on pensioners by type of pension scheme (old-age and early retirement, disability and survivors), by sex and age (at 31 December each year) are used to run the model.

4.3 Reforms incorporated in the model

See section 1.2

4.4 General description of the model(s)

4.4.1 Public social security pensions (PSS)

Pension Recipients: To project the number of PSS pension **recipients**, the starting point requires a detailed disaggregation of current recipients to obtain the proportion of the population by scheme, sub-scheme, payment type, gender and age cohort. These proportions are expected to change throughout the forecast period as the total contributions approach takes effect. This change will increase the number of state contributory pension (SCP) bands available and will also change the proportions of the population falling within each pension rate.

To forecast the evolution of these proportions the model relies on estimates of the projected pension entitlements of future retirees. These estimates were produced by KPMG in their actuarial review of

the social insurance fund⁴⁰. KPMG analysed a single spot year sample of individuals due to retire in 2020 (when the TCA is implemented) to estimate the projected total contributions for each sample member at retirement and derive expected associated pension entitlements⁴¹. For the purposes of the AWG exercise, the sample results were extrapolated to all those reaching retirement age in 2020.

By 2050, virtually all of the stock of the population at pensionable age are assumed to conform to the proportions calculated for those due to retire in 2020⁴². These proportions are held constant from 2050 onwards. The number of recipients of the various pension schemes in a given year is calculated via a linear interpolation between the start and end points⁴³. The move between the two points reflects AWG demographic developments.

Pension Expenditure: Gross PSS pension **expenditure** projections adopt a bottom-up approach. The projection methodology takes the most up to date 2014 rates of payment applicable to the various pension schemes plus appropriate extra allowances as the starting point. For this particular exercise, all rates are held constant until 2017 as no changes are envisioned in the lifetime of the current government. Thereafter, all pension rates are assumed to rise at the same flat rate (inflation plus productivity)⁴⁴. An estimate of overall spending is provided by multiplying the projected payment rates for each year by the number of pensioners claiming each type of payment.

Net pension expenditure projections are not provided as it is impossible to distinguish pension income from non-pension income on the basis of tax records.

Contributions: PSS pensions in Ireland are financed through a combination of PRSI contributions (Social Insurance pensions) and general tax revenues (Social Assistance schemes; Social Insurance schemes in the event of a shortfall in contributions). The projected value of Pay Related Social Insurance contributions (employer, employee and self-employed) is held constant over the entire timeframe at the 2013 rate of 4.5% of GDP. The proportion coming from employer and employee PRSI contributions is also held constant throughout the forecast period at approximately 73% and 27%, respectively.

Number of Contributors: The number of individuals paying PRSI in 2012 (the most recent year for which this data is available) is taken as the base figure when projecting contributors⁴⁵. Over time, the number of contributors is assumed to grow in line with the employment growth rate of those aged 15-75.

⁴⁰ Review published in September 2012 and can be found <http://www.welfare.ie/en/Pages/Actuarial-Review-of-the-Social-Insurance-Fund-2010.aspx>

⁴¹ KPMG were provided with the PRSI histories of all individuals in the sample by the Department of Social protection. They assumed that all contributions between 2010 (the most recent year) and retirement age (2020) were assumed to be split in the same proportion (paid: credited) as seen in their respective contribution histories.

⁴² Those with no full contributions (PRSI class B contributors) are an exception to this. This category is composed of permanent and pensionable Civil Servants, Registered Doctors and Dentists employed in the Civil Service and Gardaí, recruited prior to 6 April 1995. This group pay a lower rate of PRSI and as such, are not entitled to all social insurance benefits. By 2020, 6% of those reaching retirement age will be in this category. However, this 6% is expected to gradually move into the full state contributory pension category over the 2020-2040 period. This is a conservative assumption, which serves to overestimate PSS expenditure as not all public service pensioners will be integrated by 2040.

⁴³ A linear weighted average is adopted between the start point 2013 and the end point 2050.

⁴⁴ A broader range of SCP bands will be introduced once the total contributions approach takes effect. Each of these pension bands will have its own pension rate, which will be set as a proportion of the maximum SCP rate. The maximum SCP rate and all other rates associated with pension schemes other than the SCP are assumed to rise at the same flat rate (inflation plus productivity). However, in the absence of policy certainty around the transition between the current pension bands (rates) and the TCA bands (rates) the assumption of a gradual linear transition between matched bands (rates) has been taken. Current bands (rates) were matched as closely as possible with future TCA bands (rates).

⁴⁵ Data source: Department of Social Protection.

4.4.2. Private occupational public service pensions (POPS)

Pension Expenditure: Actual spending on POPS pensions in 2013 is taken as the starting point⁴⁶. Reforms implemented in 2004, including the raising of the minimum pension age and the removal of a compulsory retirement age for most new public servants, are accounted for in the projected spending figures. In addition, the introduction of the Single Scheme is incorporated in the public service pension model.

As in the case of the PSS projections, net pension expenditure estimates are not reported as it is impossible to distinguish POPS pension income from non-pension income on the basis of tax records⁴⁷.

Pension Recipients: The number of actual POPS pensions/pensioners is not calculated. Instead, the model estimates the number of full time equivalent POPS pensions/pensioners as this is what drives POPS pension expenditure⁴⁸⁴⁹.

4.5 Limitations of the model

The model deals exclusively with public pensions (PSS and POPS). Projections of private sector occupational and voluntary pension schemes are not provided due to lack of data.

The PSS model is driven entirely by population, employment, labour productivity growth, CPI and assumptions related to the effect of the total contributions approach. There is no explicit link to other CSM or broader macro variables in the model.

Projections of POPS contributions are not provided as this would require assumptions of average public service career trajectories, probabilities of exit from the public service before retirement age, the evolution of salary scales across the public service and future employment levels. The POPS model is calibrated on a representative agent basis and therefore cannot directly assess the potential financing gap in POPS pensions.

As discussed in section 3.4 PRSI contributions are used as a proxy for public contributions. PRSI contributions as a share of GDP (employer, employee and self-employed) are assumed to remain constant over the entire timeframe at the 2013 level (4.45% of GDP). This is despite the fact that contribution histories and participation rates are set to increase over the forecast period. This assumption is likely to underestimate the extent of public contributions. Operating in the other direction, PRSI revenue (both employer and employee contributions), is used to fund a wide range of social insurance benefits, beyond the pension component. Therefore, the financing gap between PSS pension expenditure and public contributions that the state is obliged to cover is likely to be underestimated.

⁴⁶ Projected public service pension expenditure includes lump sum expenditure.

⁴⁷ Net pension expenditure equals pension expenditure less tax revenue from pension income.

⁴⁸ For example, a public servant retires on a pension of €20,000 after working full-time for 40 years. For projection purposes, this is equivalent to five persons working 8 years and retiring on a pension of €4,000 each.

⁴⁹ CSO mortality forecasts are adjusted to allow for the more favourable mortality of public servants.

5 Methodological annex

Economy- wide average wage at retirement

Due to data limitations average earnings are used as a proxy for the economy wide average wage at retirement. This is forecast to grow at the same rate as nominal earnings throughout the forecast period and as such the economy wide average wage and wage at retirement grow in tandem.

Table A1 – Economy wide average wage at retirement evolution (in thousands euro)

	2013	2020	2030	2040	2050	2060
Economy wide average wage ('000 EUR)	40.9	48.6	68.4	97.3	138.5	197.0
Economy wide average wage at retirement ('000 EUR)*	35.8	42.5	59.9	85.1	120.9	171.6

*Average CSO NACEREV2 wage. Assumed to grow in line with nominal earnings growth

Pension taxation

Under the Irish tax system, pension contributions are exempt from income tax (tax relief is given at the marginal rate of tax) though such contributions are not exempt from USC or PRSI, accumulated pension fund returns are largely tax free (the assets of funded pension arrangements are subject to a pension fund levy for the period 2011 to 2015), and pension drawdowns are fully taxed in the hands of the recipient with the exception of the tax-free retirement lump sum which, depending on the nature of the pension vehicle can amount to 1.5 times final salary or 25% of the fund, subject to a lifetime cap of €200,000.

Disability pension

Our pension model assumes that the eligibility ages for disability pension schemes will increase in a line with changes to the statutory retirement age e.g. from 2021 onwards invalidity pensions will be available to those aged 66 and under and from 2028 onwards invalidity pensions will be available to those aged 67 and under. This will partially offset some of the projected benefits arising from recent pension reforms. For instance, earnings related disability pensions are set to increase from 0.4 per cent of GDP in 2020 to 0.7 per cent in 2030. This increase is largely attributable to a rise in disability eligibility ages.

All disability pension schemes are transformed into old age pension schemes once statutory retirement age is reached e.g. invalidity, disability allowance and blind pensions.

Disability incidence rates by age group are assumed to be constant over time.

Disability pension rates are assumed to increase in the same way as all other pension rates (inflation plus productivity)

Table A2 – Disability rates by age groups (%)

	2013	2020	2030	2040	2050	2060
Age Group (<54)	8.3	8.3	8.3	8.3	8.3	8.3
Age Group (55-59)	18.5	18.5	18.5	18.5	18.5	18.5
Age Group (60-64)	22.3	22.3	22.3	22.3	22.3	22.3
Age Group (65-69)	24.6	24.6	24.6	24.6	24.6	24.6
Age Group (70-74)	30.1	30.1	30.1	30.1	30.1	30.1
Age Group (75+)	52.9	52.9	52.9	52.9	52.9	52.9

Survivor pensions

Survivors' pensions are set to decrease by 0.4 p.p. as a greater proportion of those at retirement age are expected to receive the state contributory pension over the forecast horizon⁵⁰.

In particular, the share of the female population receiving the SCP is set to increase significantly from 40% to 78%.

Non-earnings related minimum pension

Non-earnings related pensions decrease as a percentage of GDP throughout the forecast period as more individuals are expected to receive earnings related pensions. In particular, the share of the female 66+ population receiving earnings related pensions is set to increase significantly from 43% to 76%.

As explained in section 4.4 the proportions of the population in each pension scheme is expected to evolve throughout the forecast period owing to both the adoption of the total contributions approach as well as changes in labour force participation especially amongst women.

⁵⁰ You cannot get a widows, widower's or surviving civil partners pension at the same time as the SCP.

Table A3 – Factors behind the change in public pension expenditures between 2013 and 2060 using pension data (in percentage points of GDP) - pensions

	2013-20	2020-30	2030-40	2040-50	2050-60	2013-2060
Public Pensions to GDP	-0.1	0.9	1.1	0.6	-1.1	1.5
Dependency ratio effect	1.6	2.4	2.4	2.0	-2.8	5.5
Coverage ratio effect	-0.6	-0.5	-0.2	-0.2	0.3	-1.2
Coverage ratio old-age	-0.3	-0.2	0.1	0.0	0.1	-0.2
Coverage ratio early-age	-0.6	-0.6	0.5	0.8	-0.9	-0.8
Cohort effect	-0.6	-0.7	-1.3	-1.2	1.1	-2.7
Benefit ratio effect	-0.6	0.0	0.0	-0.1	0.0	-0.7
Labour market/Labour intensity effect	-0.2	-0.2	-0.1	-0.1	0.2	-0.4
Employment ratio effect	-0.2	-0.1	-0.1	-0.1	0.0	-0.3
Labour intensity effect	0.0	0.0	0.0	0.0	0.0	0.0
Career shift effect	-0.1	-0.1	-0.1	0.0	0.2	-0.1
Residual	-0.2	-0.8	-0.9	-1.0	1.3	-1.7

Table A4 – Factors behind the change in public pension expenditures between 2013 and 2060 using pensioners data (in percentage points of GDP) - pensioners

	2013-20	2020-30	2030-40	2040-50	2050-60	2013-2060
Public Pensions to GDP	-0.1	0.9	1.1	0.6	-1.1	1.5
Dependency ratio effect	1.6	2.4	2.4	2.0	-2.8	5.5
Coverage ratio effect	-0.6	-0.5	-0.2	-0.2	0.3	-1.2
Coverage ratio old-age	-0.3	-0.2	0.1	0.0	0.1	-0.2
Coverage ratio early-age	-0.6	-0.6	0.5	0.8	-0.9	-0.8
Cohort effect	-0.6	-0.7	-1.3	-1.2	1.1	-2.7
Benefit ratio effect	-0.6	0.0	0.0	-0.1	0.0	-0.7
Labour market/Labour intensity effect	-0.2	-0.2	-0.1	-0.1	0.2	-0.4
Employment ratio effect	-0.2	-0.1	-0.1	-0.1	0.0	-0.3
Labour intensity effect	0.0	0.0	0.0	0.0	0.0	0.0
Career shift effect	-0.1	-0.1	-0.1	0.0	0.2	-0.1
Residual	-0.2	-0.8	-0.9	-1.0	1.3	-1.7

Table 8A and 8B Methodology

$$\begin{aligned}
 \frac{\text{Pension Exp}}{\text{GDP}} &= \frac{\overbrace{\text{Population 65+}}^{\text{DependencyRatio}}}{\text{Population 20-64}} \times \frac{\overbrace{\text{Number of Pensioners (Pensions)}}^{\text{CoverageRatio}}}{\text{Population 65+}} \\
 &\times \frac{\overbrace{\text{Average income from pensions (Average Pension)}}^{\text{Benefit Ratio}}}{\text{GDP}} \times \frac{\overbrace{\text{Population 20-64}}^{\text{Labour Market / LabourIntensity}}}{\text{Hours Worked 20-74}} \\
 &= \frac{\overbrace{\text{Number of Pensioners 65+}}^{\text{CoverageRatio Old-Age}}}{\text{Population 65+}} + \left(\frac{\overbrace{\text{Number of Pensioners } \leq 65}^{\text{CoverageRatio Early-Age}}}{\text{Population 50-64}} \times \frac{\overbrace{\text{Population 50-64}}^{\text{Cohorteffect}}}{\text{Population 65+}} \right) \\
 &\times \frac{\overbrace{\text{Population 20-64}}^{\text{Labour Market / LabourIntensity}}}{\text{Hours Worked 20-74}} = \\
 &\frac{\overbrace{\text{Population 20-64}}^{1/\text{Employment Rate}}}{\text{Working People 20-64}} \times \frac{\overbrace{\text{Working People 20-64}}^{1/\text{Labourintensity}}}{\text{Hours Worked 20-64}} \times \frac{\overbrace{\text{Hours Worked 20-64}}^{1/\text{Career shift}}}{\text{Hours Worked 20-74}}
 \end{aligned}$$

Old-Age Pension Rates

State contributory pension (SCP) rates:

Yearly Average PRSI contributions	Personal rate per week (€)
48 or over	230.30
40-47	225.80
30-39	207
20-29	196
15-19	150
10-14	92

Note: For individuals who qualify for pensions from 1 September 2012

State non-contributory pension (SNCP) rates:

The maximum weekly rate of the SNCP is €219. However, this is reduced depending on an individual's means ⁵¹.

Main Eligibility Requirements for First Pillar Pensions

<i>Pension Scheme</i>	<i>Requirements (claimant must)</i>
State Contributory Pension	<ul style="list-style-type: none"> ▪ be 66 years or over ▪ have commenced paying PRSI contributions before age 56 ▪ have at least 260 full rate contributions paid ▪ from April 2012 have at least 520 full rate contributions paid_a yearly average of 48 paid / credited since 1979 to the end of the relevant tax year or a yearly average of 10 paid / credited since 1953 (or since commencement of insurable employment if later) to the end of the relevant tax year
State Non-Contributory Pension	<ul style="list-style-type: none"> ▪ be 66 years or over ▪ satisfy a means test ▪ satisfy the Habitual Residence Condition
State Pension Transition	<ul style="list-style-type: none"> ▪ be 65 years ▪ have commenced paying PRSI contributions before age 55 ▪ have at least 260 full rate contributions paid ▪ from April 2012 have at least 520 full rate contributions paid ▪ a yearly average of 48 paid / credited since 1979 to the end of the relevant tax year or a yearly average of 24 paid / credited since 1953 (or since commencement of insurable employment if later) to the end of the relevant tax year
Widow's Widower's or Surviving Civil Partner's Contributory Pension	<ul style="list-style-type: none"> ▪ be widowed or divorced from late spouse and not remarried / cohabiting ▪ have 156 weeks PRSI paid before pension age / death of spouse a yearly average of 39 weeks PRSI paid / credited over 3 or 5 tax years (whichever is most beneficial) before pension age / death of spouse or an annual average of 24 PRSI contributions for a minimum pension, or an average of 48 for a maximum pension ▪ From 27th December 2013 have at least 260 weeks PRSI paid
Widow's Widower's or Surviving Civil Partner's Non-Contributory Pension	<ul style="list-style-type: none"> ▪ be widowed or divorced from late spouse and not remarried / cohabiting ▪ satisfy a means test ▪ be habitually resident in the State
Invalidity Pension (note since 2006 recipients of Invalidity Pension on reaching 66 years of age have been transferred to State Pension Contributory)	<ul style="list-style-type: none"> ▪ Have been incapable of work for at least 12 months and be likely to be incapable of work for at least another 12 months or be permanently incapable of work ▪ Be under 66 years ▪ have 260 PRSI contributions paid ▪ have 48 PRSI contributions paid / credited in the relevant tax year

⁵¹ If an individual is on reduced payments of the contributory pension they are also entitled to apply for a means test for the SNCP in which case they will receive whichever payment is highest.

Illness Benefit	<ul style="list-style-type: none"> ▪ be unable to work due to illness ▪ be under 66 years ▪ have at least 52 weeks PRSI contributions paid (104 weeks from January 2009) and 39 weeks PRSI contributions paid / credited in the relevant tax year (13 of which must be paid contributions) or 26 weeks PRSI contributions paid in the relevant tax year and 26 weeks PRSI contributions paid in the tax year immediately before the relevant tax year
Disability Allowance	<ul style="list-style-type: none"> ▪ satisfy the Habitual Residence Condition ▪ have an illness/disability that has continued or is expected to continue for at least one year and causes a substantial restriction in doing work that would otherwise be suitable ▪ be between 16 and 65 years ▪ satisfy a means test
Carers Allowance	<ul style="list-style-type: none"> ▪ be 18 years or over ▪ satisfy a means test ▪ live with or can be contactable quickly by the person they are caring for ▪ care for the person on a full-time basis ▪ not be employed outside the home for more than 15 hours a week ▪ Satisfy Habitual Residence condition ▪ be resident in the State ▪ not live in a hospital or similar institution
Carers Benefit	<ul style="list-style-type: none"> ▪ be 16 or over but under 66 ▪ have been in employment for at least eight weeks in the previous 26 weeks ▪ give up employment to care for somebody full-time ▪ live with or can be contactable quickly by the person by the person they are caring for ▪ care for the person on a full-time basis ▪ not be employed outside the home for more than 15 hours a week ▪ be resident in the State ▪ not live in a hospital or similar institution ▪ have 156 weeks PRSI contributions paid between entry into insurance and the time the claim is made and 39 weeks PRSI contributions paid in the relevant tax year or 39 weeks PRSI contributions paid in the 12 month period before the commencement of the Benefit or 26 weeks PRSI contributions paid in the relevant tax year and 26 contributions paid in the relevant tax year prior to that
Blind Persons Pension (note since 2006 recipients of Blind Person's Pension on reaching 66 have been transferred to SNCP)	<ul style="list-style-type: none"> ▪ be 18 years and under 66 years ▪ be blind or have serious vision impairment ▪ be habitually resident in the State ▪ satisfy a means test
Pre-Retirement Allowance (note: Closed to new applicants since 4 July 2007)	<ul style="list-style-type: none"> ▪ be between 55 and 65 years of age ▪ be retired from the workforce ▪ satisfy a means test ▪ have received Job Seekers Benefit or Job Seekers Allowance for 15 months or is no longer entitled to the One Parent Family Payment or to the Carer's Allowance or is separated from his / her spouse and has not been working for the preceding 15 months