Budget Perspectives 2027

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OCCUPATIONAL PENSION COVERAGE AND TIMING OF RETIREMENT IN IRELAND

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Introduction

Supplementary pension coverage in Ireland is increasing over time:

- 40% of supplementary pension contributions in 2014 (OECD, 2014)
- 67% in 2024 (CSO)

In 2024, 52% of workers say that State pension will be the main source of income in retirement (CSO) – reliance on State pension still high:

- State pension is a flat rate – likely a low replacement rate for average workers
- With population ageing, high reliance on State-funded pension puts pressure on public finances

Knowing when employees plan to retire and actually retire is important information for fiscal planning (Komp, 2017; IFAC, 2020).

Introduction

RQ: How does occupational pension coverage relate to plans for retirement, actual retirement age and income adequacy in retirement?

Further decomposition by socioeconomic groups (gender, educational attainment, public/private sector, region)

Over time: 2010-2018

In 2026, introduction of autoenrollment into the State-sponsored retirement saving scheme (MyFutureFund) – supplementary pension coverage will likely increase.

Data and sample

The Irish Longitudinal Study on Ageing (TILDA), 2010 – 2018:

- Individuals aged over 50
- Employees and retired employees who have worked at least 10 years and qualify for the State pension (Contributory)
- 8,836 pooled observations, 62.7% with occupational pension coverage

Occupational pension coverage:

- People who contribute to an occupational pension (employees), or
- Are in receipt of occupational pension (retired employees)

Employees answer the question on planned retirement age, retired employees report actual retirement age

Planned vs actual retirement age

By occupational pension coverage:

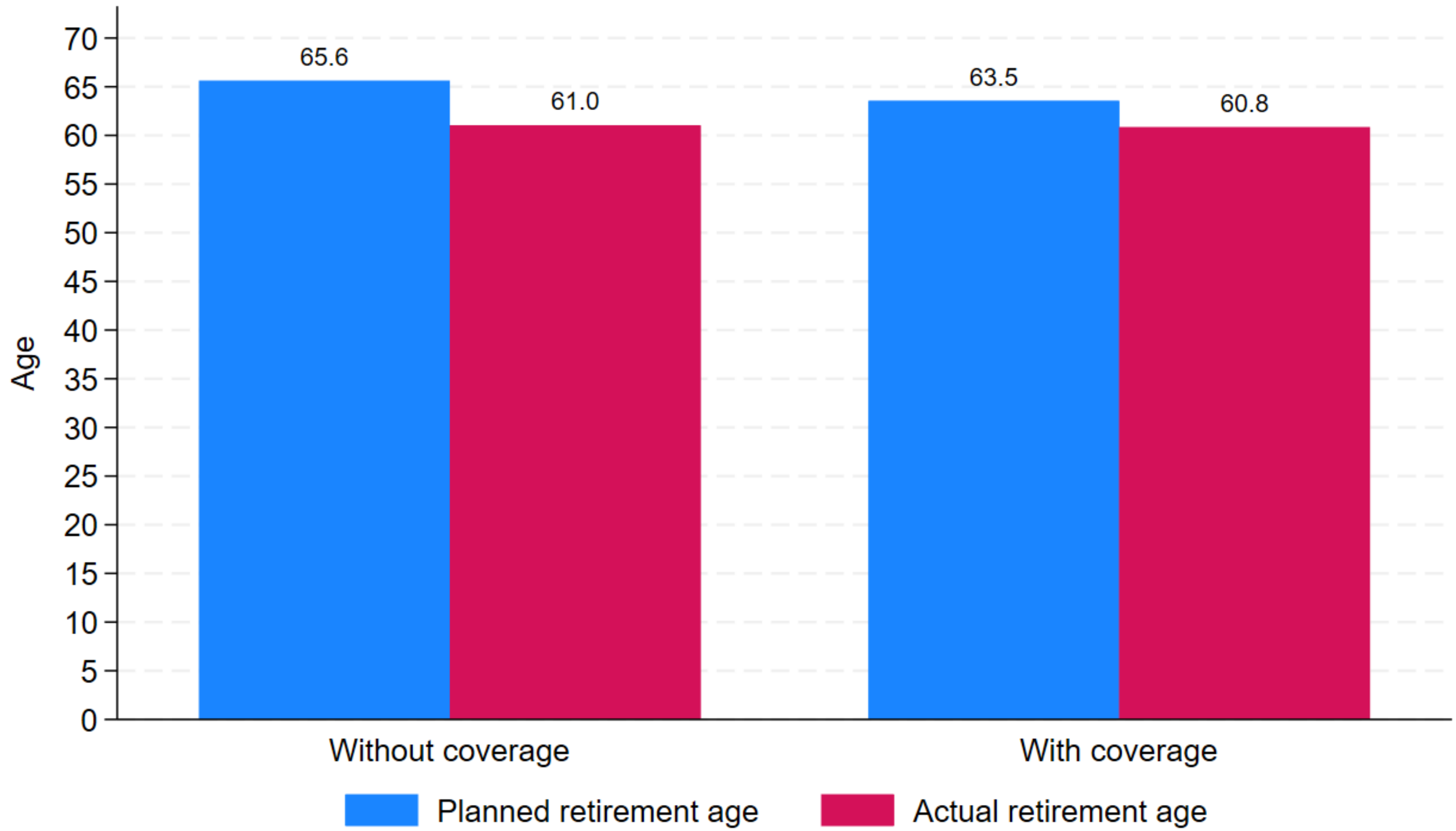
- Average planned retirement age for employees
- Average actual retirement age for (former/retired) employees

$$\text{Retirement age gap} = \text{planned retirement age} - \text{actual retirement age}$$

Socioeconomic groups:

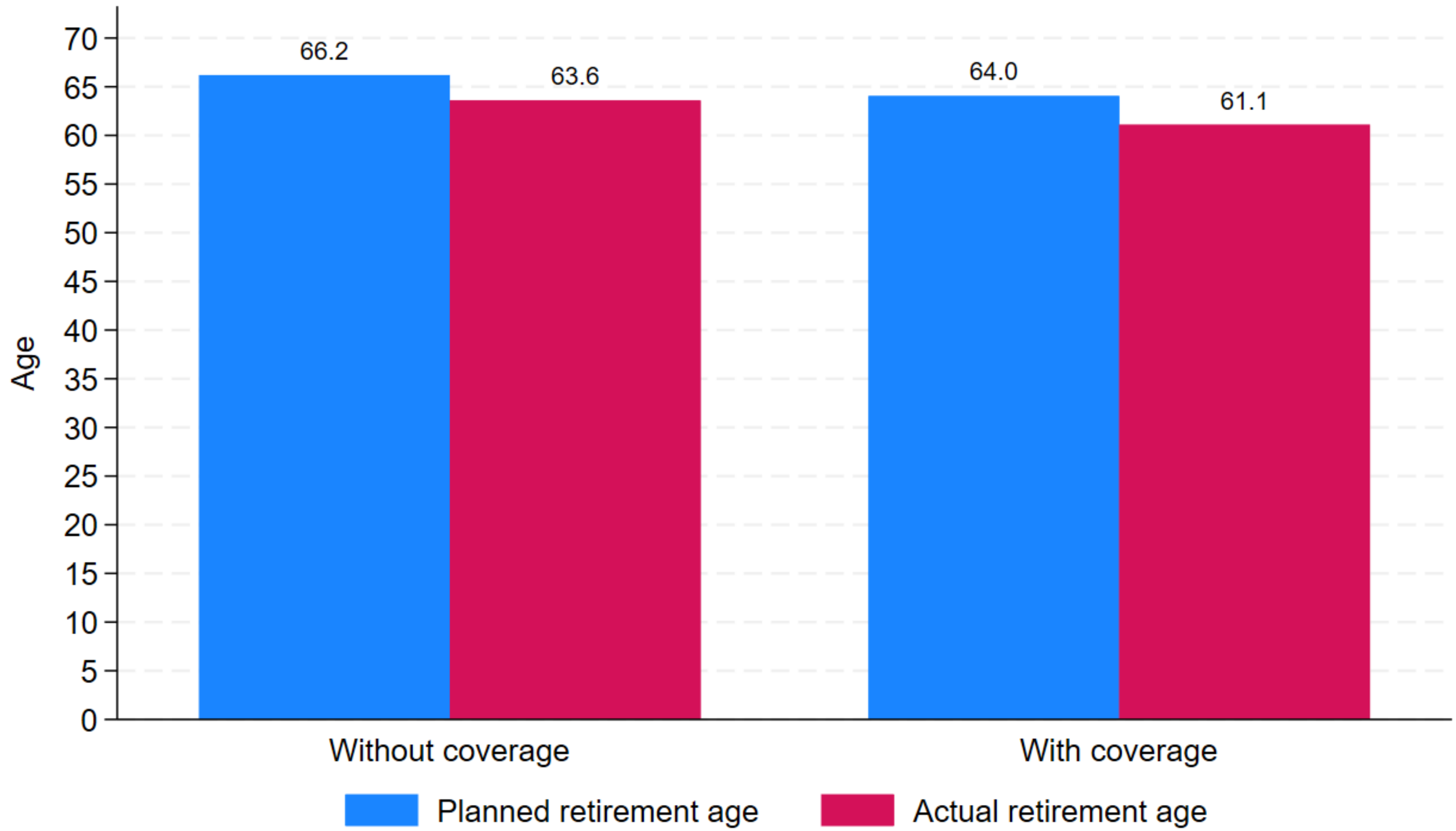
Gender
Educational attainment
Public/Private sector
Region (*Dublin*, *other urban*, *rural*)

Planned vs actual retirement age

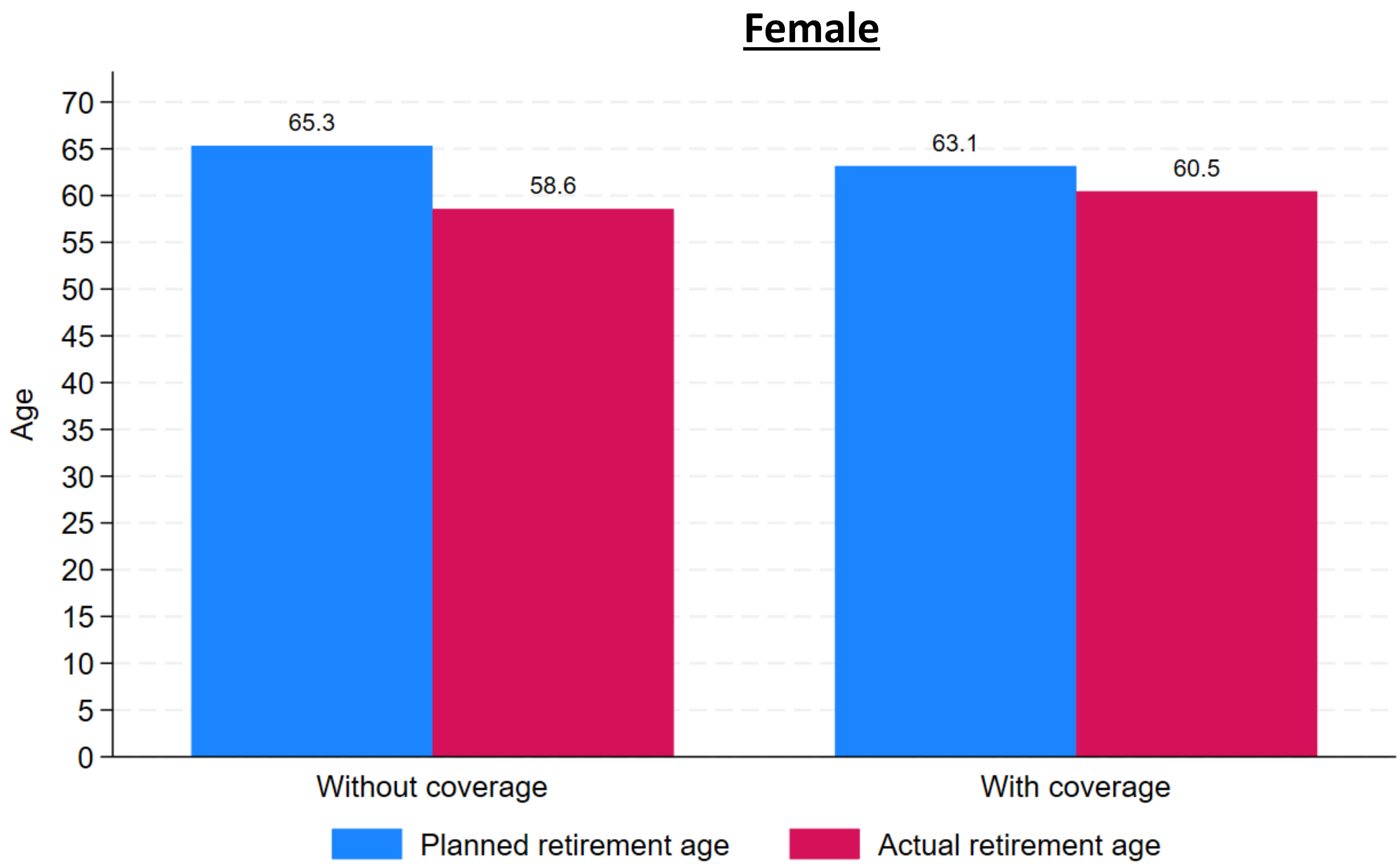


Planned vs actual retirement age

Male

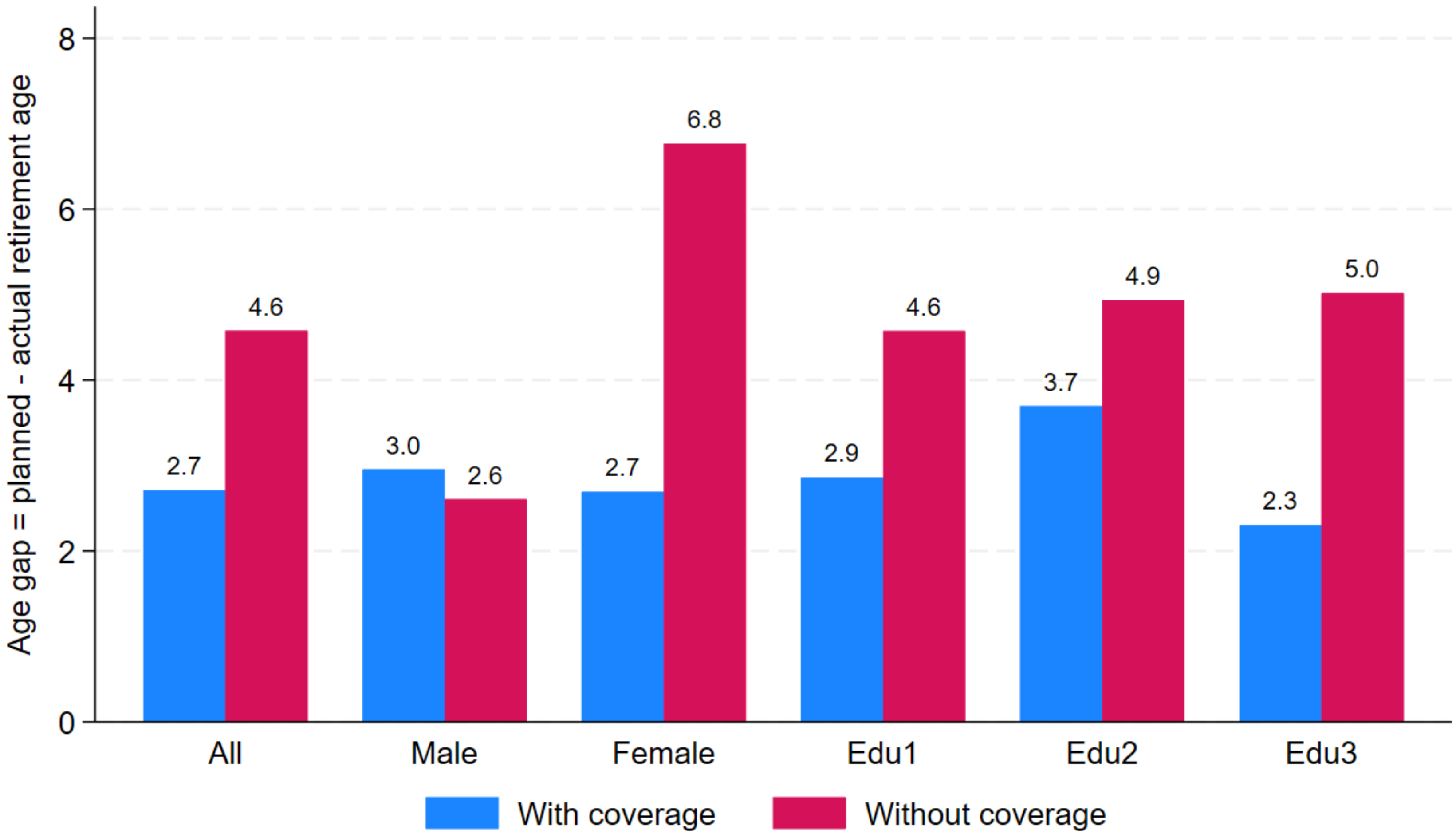


Planned vs actual retirement age



Retirement age gap

= planned – actual retirement age



Summary

Employees with occupational pension coverage plan to retire earlier (63.5) than those without coverage (66)

But actually both groups retire at around age of **61**

The retirement age gap between planned and actual retirement age is mainly driven by women without occupational pension coverage, who retire almost **7 years** earlier than planned

What incomes do people with and without occupational pension coverage retire to?

Retirement income by occupational pension coverage

Weekly income type	With Occupational Pension Coverage (€)	Without Occupational Pension Coverage (€)
Benefit (median)	188	188
Occupational pension (median)	368.24	N/A
State pension (median)	230	230
Total income (median)	460.3	230
Observations (N)	2,222	1,536

Men and women without occupational pension coverage have similar weekly retirement income.

Gender pension gap is driven by occupational pension coverage: men are more likely to have coverage and receive 30% higher occupational pension (similar as in Nolan et al., 2019)

Panel subsample

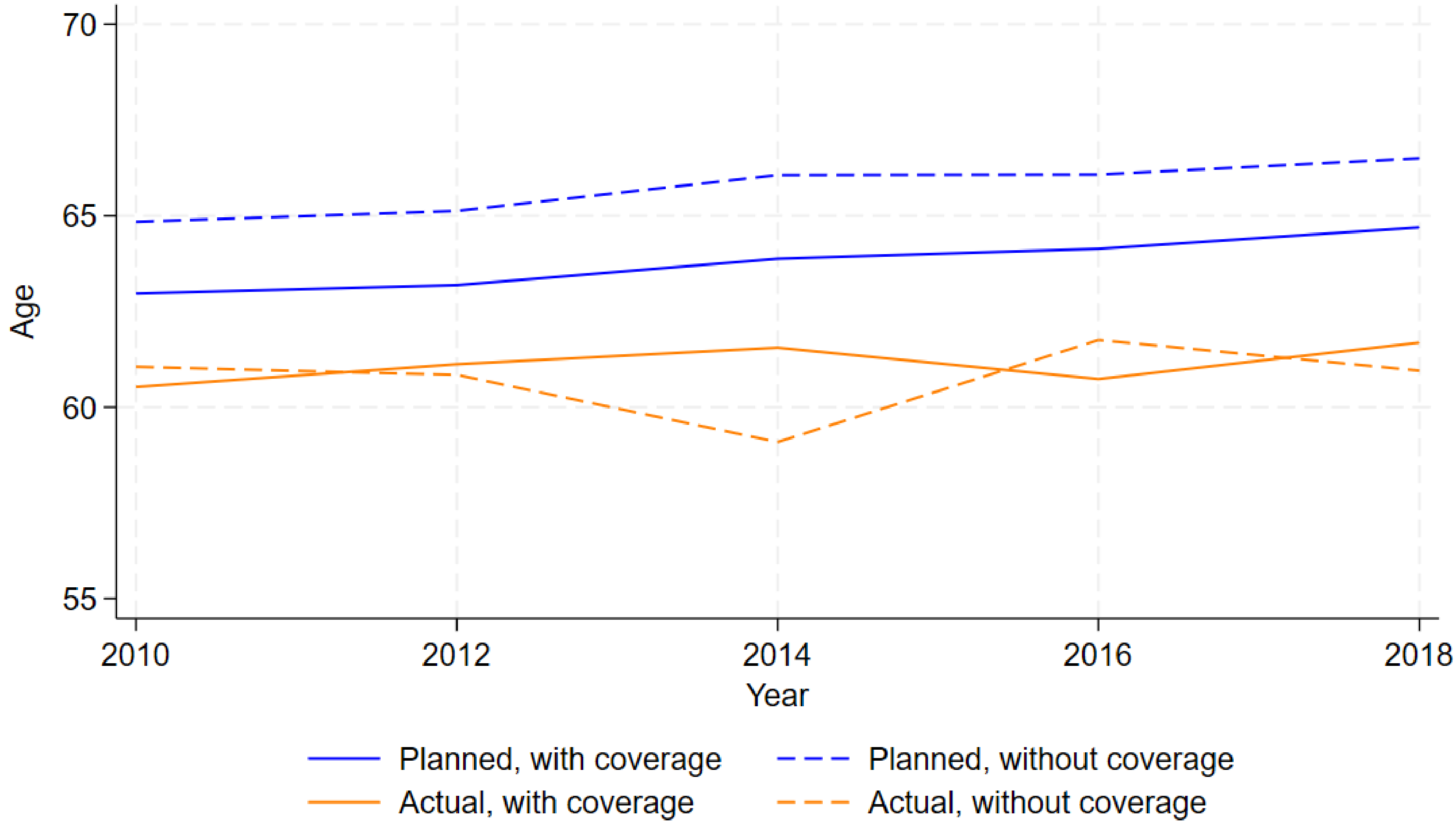
539 individuals report both planned and actual retirement age over time.

→ 80% have occupational pension coverage.

OLS regression analysis of the association between occupational pension coverage and retirement ages shows:

- Having occupational pension coverage decreases
  - Planned retirement age by **2.5** years
  - Actual retirement age by **1.9** years
- This is robust when controlling for differences by gender and educational attainment

Planned and actual retirement ages over time



Conclusion

Individuals with occupational pension coverage plan to retire earlier than those without (63.5 versus 66) – but, both groups on average retire around the age of 61.

- Retirement age gap largest for women without occupational pension coverage.

Similar retirement age for both groups, but substantially lower incomes for people without coverage (€230 per week, vs €460 for those with coverage)

- Gender pension gap is driven solely by occupational pension coverage.

The focus here is a very homogenous sample of (former) employees, excluding workforce exit due to disability, illness, caring responsibilities – population wide retirement age gaps are likely larger.

Conclusion

Average early retirement has implications for the Exchequer (Bodnar and Nerlich, 2022; Koutsogeorgopoulou and Morgavi, 2025):

- Foregone tax and PRSI revenue
- Public spending on benefit, health and care expenditure

With autoenrollment expanding supplementary pension coverage, we might expect it primarily to increase income adequacy in retirement, rather then retirement timing

Future research should asses how improved coverage increases income security, resilience to labour market shocks and involuntary retirement, especially for women

Thank you for your attention!

Table 1 Descriptive statistics, pooled sample 2010–2018

	(1) Total	(2) With occupational pension coverage	(3) Without occupational pension coverage
Age	63.51	62.35	65.46
Irish (%)	91	91	90
Retired (%)	48	43	56
Employed (%)	52	57	44
Male (%)	47	51	42
Female (%)	53	49	58
Primary ed (%)	18	12	29
Secondary ed (%)	38	35	43
Tertiary ed (%)	44	53	28
Public sector (%)	51	58	24
Private sector (%)	39	42	35
Usual hours worked per week	17.84	20.63	13.15
Rural (%)	30	30	31
Urban (excl. Dublin) (%)	23	23	22
Dublin (%)	21	25	13
Years worked	38.10	38.28	37.78
Observations (N)	8,836	5,546	3,290

Table A2 Characteristics of dropped observations, waves 1–5

	N	%
Self-employed	3,610	10.69
Inactive	5,237	15.51
Unemployed	819	2.43
Disabled	4,152	12.30
No paid work or <10 years	1,924	5.70
N/A planned or actual retirement age	8,635	25.57
Errors	349	1.03
Missing occupational pension information	64	0.19
Outliers	141	0.42
Total dropped observations	24,931	73.84
Total sample	8,836	26.16
Total survey	33,767	100

Table 2 Average planned and actual retirement ages by coverage

	With occupational pension coverage			Without occupational pension coverage		
	Planned (1)	Actual (2)	Gap (1)-(2)=(3)	Planned (4)	Actual (5)	Gap (4)-(5)=(6)
All	63.5	60.8	2.7***	65.6	61.0	4.6***
Male	64.1	61.1	3.0***	66.2	63.6	2.6***
Female	63.1	60.5	2.6***	65.3	58.6	6.7***
Primary ed.	64.9	62.0	2.9***	66.3	61.7	4.6***
Secondary ed.	63.8	60.1	3.7***	65.6	60.6	5.0***
Tertiary ed.	63.2	60.9	2.3***	65.4	60.4	5.0***
Public sector	63.0	60.8	2.2***	65.4	N/A	N/A
Private sector	64.3	60.9	3.4***	65.7	62.7	3.0***
Rural	63.4	60.5	2.9***	65.7	62.1	3.6***
Urban	63.9	60.7	3.2***	65.6	60.5	5.1***
Dublin	63.5	61.4	2.1***	65.8	61.5	4.3***

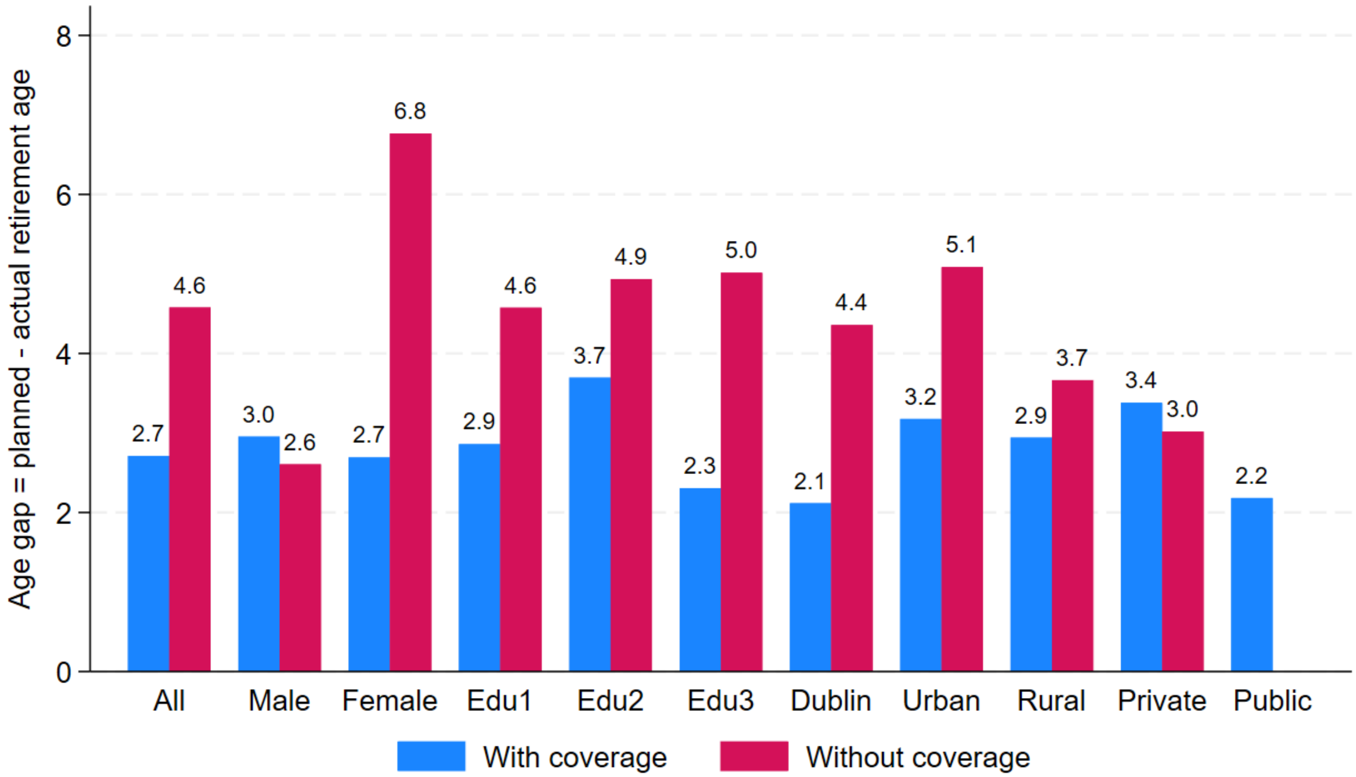

Age gap = planned - actual retirement age
0
2
4
6
8
2.7
4.6
3.0
2.6
2.7
6.8
2.9
4.6
3.7
4.9
2.3
5.0
2.1
4.4
3.2
5.1
2.9
3.7
3.4
3.0
2.2
All
Male
Female
Edu1
Edu2
Edu3
Dublin
Urban
Rural
Private
Public
With coverage
Without coverage

Table 4 Weekly income in retirement by coverage and gender

Weekly income type	With occupational pension coverage (€)		Without occupational pension coverage (€)	
	Men	**Women**	**Men**	**Women**
Income (mean)	874.71	504.45	233.85	218.60
	(2,818.41)	(880.43)	(64.08)	(47.66)
Income (median)	529.19	372.06	230.00	225.80
Observations (N)	1,338	884	792	744

Income definitions

Benefits: Disability Allowance and Benefit, Jobseeker’s Allowance and Benefit, Carer’s Allowance, Supplementary Welfare Allowance

State pensions: Contributory, Non-contributory, Transition, Widow’s and Widower’s, Invalidity

Reasons for retirement

50% response rate for that question!

With occupational pension coverage:

State pension eligibility, occupational pension eligibility or age of retirement in their contract

Without occupational pension coverage:

State pension eligibility, to enjoy life, spend time with family

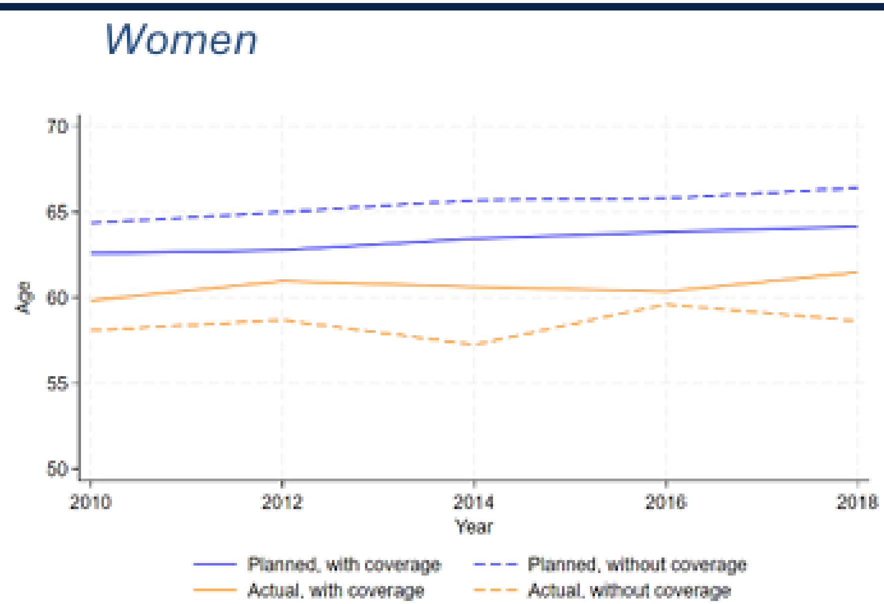
Table 7 Occupational pension coverage as the driver of retirement age

	Outcome: actual retirement age			Outcome: planned retirement age		
Coverage=1	-1.980***	-1.974***	-1.876**	-2.526***	-2.569***	-2.362***
	(0.582)	(0.575)	(0.579)	(0.322)	(0.322)	(0.320)
Female		0.0650	0.358		-0.431	-0.114
		(0.416)	(0.429)		(0.317)	(0.315)
Primary ed. (ref)			0			0
Secondary ed.			-2.679**			-1.827***
			(0.916)			(0.481)
Tertiary ed.			-2.440**			-2.590***
			(0.892)			(0.489)
N	539	539	539	539	539	539
adj. R^2	0.024	0.022	0.042	0.071	0.072	0.108

Table 8 Occupational pension coverage as the driver of the retirement age gap

Outcome: planned–actual retirement age			
Coverage=1	-0.546	-0.595	-0.487
	(0.514)	(0.511)	(0.507)
Female=1		-0.496	-0.472
		(0.367)	(0.384)
Primary ed.=1			0
Secondary ed.=1			0.852
			(0.886)
Tertiary ed.=1			-0.149
			(0.856)
N	539	539	539
adj. R^2	0.001	0.002	0.011

Figure 2 Planned and actual retirement ages by coverage over time



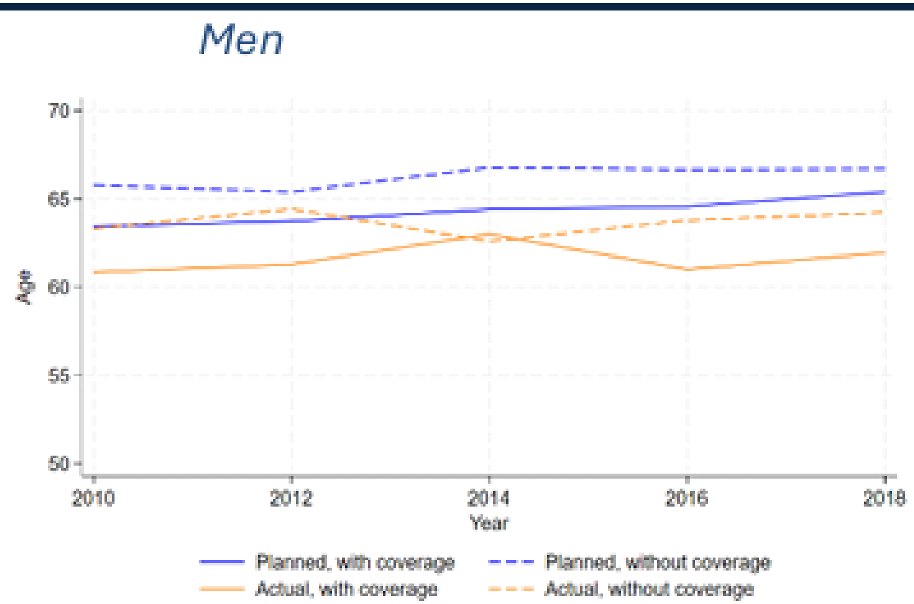


Figure 3 Planned and actual retirement ages by coverage over time, primary education

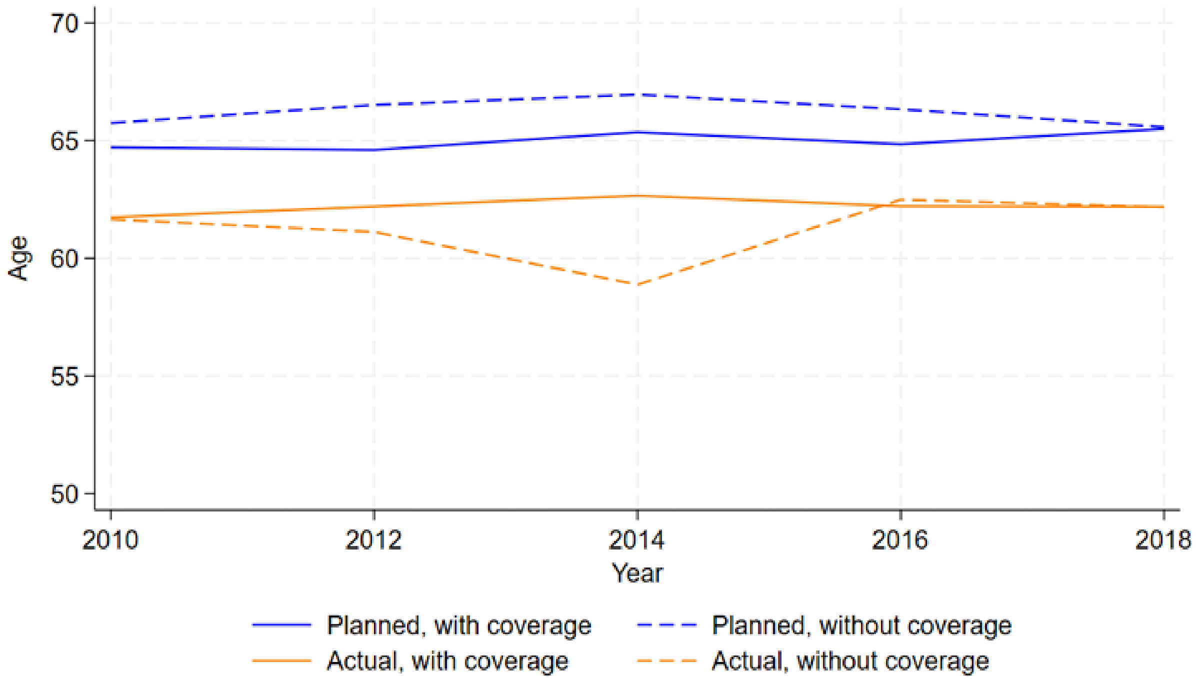


Figure 4 Planned and actual retirement ages by coverage over time, secondary education

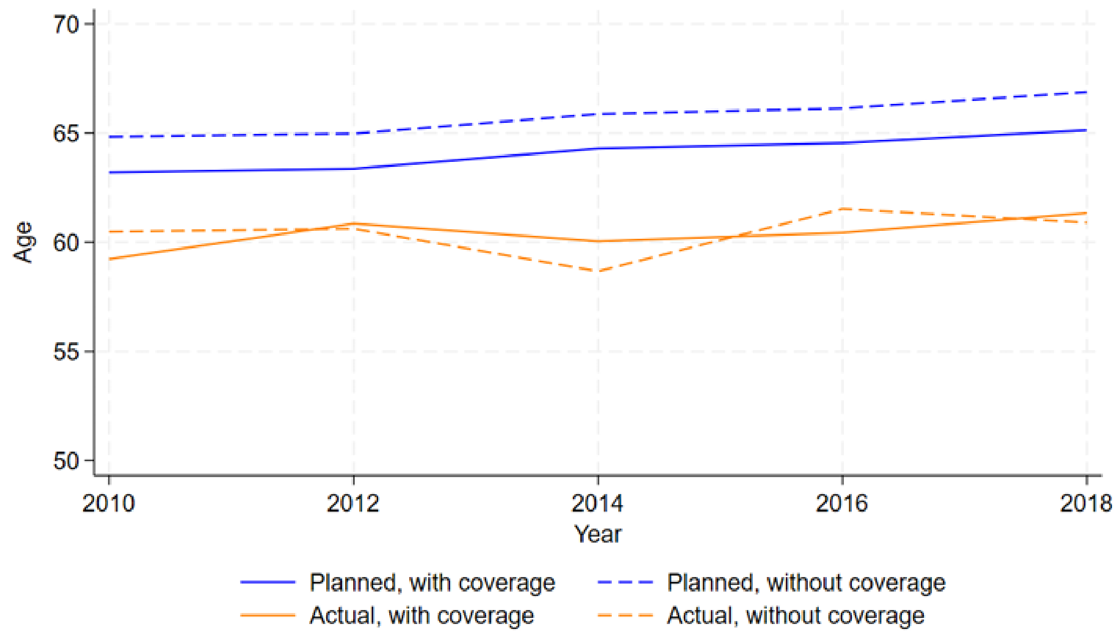


Figure 5 Planned and actual retirement ages by coverage over time, tertiary education