

## FUTURE RETIREMENT AGES

### Key results

Future normal and early retirement ages have been increasing. Following the changes presented herein and assuming labour market entry at age 20 in 2016 the normal retirement age will increase to 65.8 for men and 65.5 for women on average across all OECD countries against 64.3 and 63.4 years, respectively, in 2016.

The table shows the rules for normal and early retirement by pension benefit scheme for a person entering the labour force at age 20 in 2016. Across countries the average normal pension age to get a full pension for all schemes combined in 2016 was equal to 64.3 years for men and 63.4 years for women. By 2060 this age will increase to 65.8 years for men and 65.5 years for women across all OECD countries. This average should however be interpreted with caution as it does not say how individuals react to these ages in neither the schemes nor the countries. However, it does give some insight in the averages across schemes modelled currently and their evolution. During the same period, life expectancy at 65 (70) years is projected to increase on average from 24.0 to 28.7 years (19.9 to 24.2).

### Normal pension age

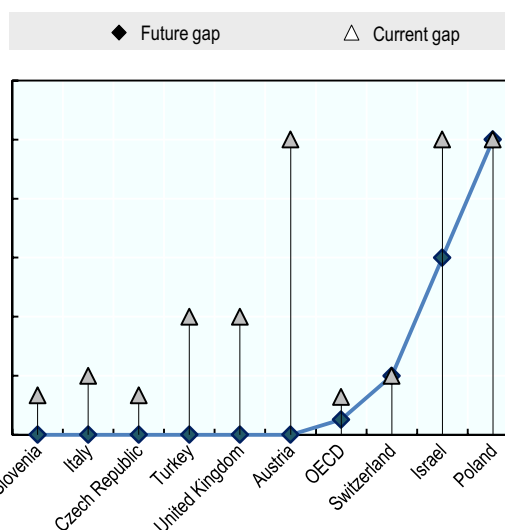
The normal retirement age will increase in 18 out of 35 OECD countries for people entering at age 20. In the countries where the normal pension age is increasing the average increase is 3.3 years from the pension age of today. The highest increase is projected to happen in Denmark, assuming that all planned linkages to life expectancy increases are applied: the normal pension age would increase from 65 currently to 74 years for those who are age 20 in 2016. Two other countries rapidly increasing their normal pension age are the Slovak Republic from 62 to 68 years and the Netherlands from 65.5 to 71 years. Normal retirement ages are also set to increase above 65. In 2016, nine countries had retirement ages above 65. By 2060, five more countries will join that group, but Poland will fall out following the reversal of the planned pension age increases.

The lowest future normal retirement age will be equal to 60 in Luxembourg and Slovenia for both men and women and for women in Poland. Other countries with low normal retirement ages in the future are Greece at 62 years and France at 64 years.


In 2016 retirement age gender gaps existed in nine out of the 35 OECD countries. In these countries the average pension age for men equals 64.2 and 61.7 for women. However, by 2060 and onwards retirement age gender gaps will have been phased out everywhere except for in Israel, Poland and Switzerland. Turkey will still have

a gender difference for full career workers entering in 2016 but it will be phased out for those entering in 2028.

### Retirement gender age gap currently and in the future



Source: See "Country Profiles" available at <http://oe.cd/pag>.

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### Early retirement age


Early pension benefit withdrawal will still be possible in a large number of OECD countries and in some cases benefit withdrawal will still be possible before age 60. Most often this option is available in defined contribution systems that are either occupational and/or private pension plans. In the United Kingdom for example defined contribution pension pots will be eligible for withdrawal ten years before the normal retirement age. In defined contribution systems benefits are automatically actuarially adjusted. In defined benefit systems pension benefits for early retirees are usually cut to reflect the longer durations in retirement. Increasing penalties for early withdrawal has been one of most widely used reforms to increase economic incentives to defer pension benefit receipt (see Table 5.9 for the adjustments made to DB systems).

### 3.9. Early and normal retirement ages by type of scheme in the long-term for a person entering the labour force at age 20 in 2016

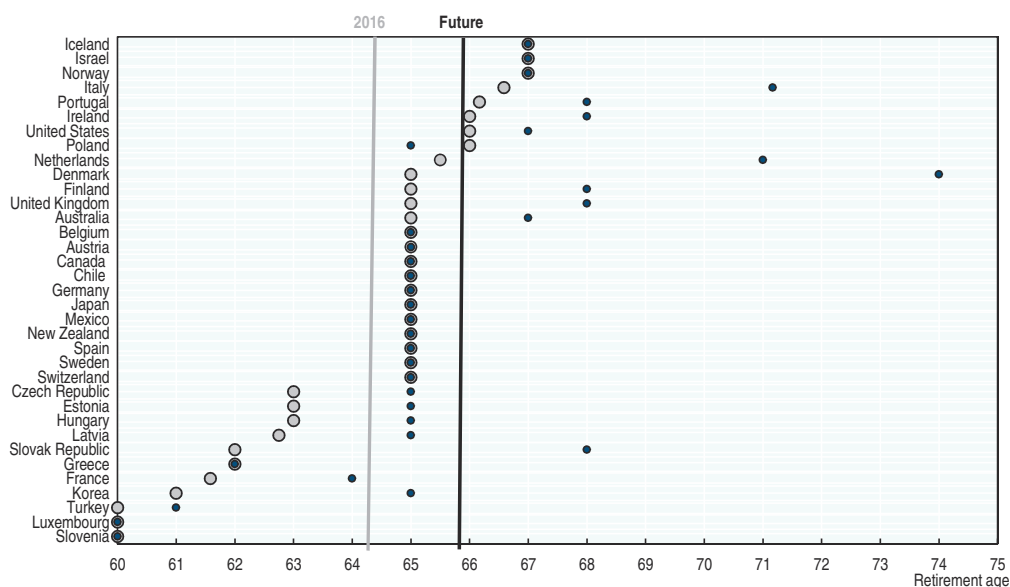
	Scheme	Early age	Reduction	Normal	Increase		Scheme	Early age	Reduction	Normal	Increase	
Australia	T	n.a.		<b>67</b>		Korea	DB	60	6.0%	<b>65</b>	7.2%	
	DC	60				Latvia	NDC/DC	63		<b>65</b>		
Austria	DB (ER)	62	5.1%	<b>65</b>	4.2%		T	n.a.		65		
Belgium	DB (ER)	63		<b>65</b>		Luxembourg	DB	60		<b>60</b>	n.a.	
	Min	n.a.		65		Mexico	T	n.a.		<b>65</b>		
Canada	Basic/T	n.a.		<b>65</b>	7.2% (Basic/T)		DC	any age/60	-	65	-	
	DB (ER)	60	7.2%	65	8.2%	Netherlands	Basic	n.a.		<b>71</b>	n.a.	
Chile	Basic/T	n.a.		<b>65</b>			DB (Occ)			65		
	men	DC	any age	65		New Zealand	Basic	n.a.		<b>65</b>		
	women	DC	any age	60			DC	flexible				
Czech Republic	DB	60	3.6-6%	<b>65</b>	6.0%	Norway	Min	67		<b>67</b>		
Denmark	Basic/T	n.a.		<b>74</b>	6.9%		NDC/DB	62				
	DC (ATP)	n.a.		74			DC (Occ)	62				
	DC (Occ)	69		74		Poland	men	NDC/Min	n.a.	<b>65</b>		
Estonia	Points	62	4.8%	<b>65</b>	10.8%		women	NDC/Min	n.a.	<b>60</b>		
	DC	62				Portugal	DB	60		<b>68</b>		
Finland	Min	65	4.8%	<b>68</b>	4.8%		Min	n.a.		68		
	DB	65		68	4.8%	Slovak Republic	DB	66	6.5%	<b>68</b>	6.0%	
France	DB	62	5.0%	63	5.0%		DC	62		68		
	Points	57	4.0-7.0%	<b>64</b>		Slovenia	DB	n.a.		<b>60</b>	4-12%	
Germany	Points	63	3.6%	<b>65</b>	6.0%	Spain	DB	n.a.		<b>65</b>	2%-4%	
Greece	DB	62		<b>62</b>		Sweden	GARP	n.a.		<b>65</b>		
Hungary	men	DB	n.a.	<b>65</b>	6.0%		NDC/DC	61				
	women	DB	any with 40 years	<b>65</b>	6.0%		DC (Occ)	55		65		
Iceland	Basic/T	n.a.		<b>67</b>	6.0%	Switzerland	men	DB	63	6.8%	<b>65</b>	5.2-6.3%
	DB (Occ)	65	7.0%	67	8.0%		women	DB	62	6.35-7.1%	<b>64</b>	4.5-5%
Ireland	Basic/T	n.a.		<b>68</b>	n.a.	Turkey	men	DB	n.a.	<b>61</b>		
Israel	men	Basic/T	n.a.	<b>67</b>	5.0%		women	DB	n.a.	<b>59</b>		
	women	Basic/T	n.a.	<b>64</b>	5.0%	United Kingdom	Basic	n.a.		<b>68</b>	5.8%	
	DC			67		United States	DB	62	5.0/6.7%	<b>67</b>	8.0%	
Italy	NDC	67.4		<b>71.2</b>			T	n.a.		65		
Japan	Basic/DB	60	6.0%	<b>65</b>	8.4%							


Note: DB = defined benefit; DC = defined contribution; n.a. = early retirement or deferral of pension is not available; Occ = occupational; T = targeted. Where pension ages for men and women differ they are shown separately. Benefits automatically adjusted for early and late retirement in DC schemes. Data rounded to one decimal place. The reference retirement age used in the modelling has been bolded.

Source: See "Country Profiles" available at <http://oe.cd/pag>.

StatLink  <http://dx.doi.org/10.1787/888933633831>

### 3.10. Current and future retirement ages for a man entering the labour market at age 20



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## Chapter 4

# Pension entitlements

*Pension entitlements are calculated using the OECD pension models. The theoretical calculations are based on national parameters and rules that apply in 2016. They relate to workers entering the labour market in 2016 at the age of 20 and include the full impact of pension reforms that have been legislated and are being phased in. A note on the methodology used and assumptions made precedes the pension indicators. The indicators begin with the gross pension replacement rate in mandatory pension schemes: the ratio of pensions to individual earnings. The second shows the replacement rates for mandatory and voluntary pension schemes where these schemes have broad coverage. Thereafter follows an analysis of the tax treatment of pensions and pensioners. The fourth and fifth indicator shows the net replacement rates, taking account of taxes and contributions. After this follows two indicators of pension wealth: the lifetime discounted value of the flow of retirement benefits. This indicator also takes into account the retirement age, indexation of benefits, and life expectancy. The pension wealth indicator is presented in gross and net terms. The final indicator shows the gross replacement rate for mandatory pension schemes with a varying earnings profile.*

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.



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