# Minister Burton launches the 2010 Actuarial Review of the Social Insurance Fund

**Joan Burton T.D. Minister for Social Protection** today *(17th September 2012)* launched the 2010 Actuarial Review of the Social Insurance Fund (SIF).

The SIF is core to Ireland's system of social insurance. Social insurance contributions (PRSI) are paid into the SIF which finances a broad range of payment benefits including short term benefits such as Maternity Benefit, Jobseeker's Benefit, Carer's Benefit or Illness Benefit as well as long term benefits such as pensions and other payments.

The Review sets out the position of the Social Insurance Fund as at 31 December 2010 and presents projections covering a 55 year period from 2011 to 2066, based on a set of agreed assumptions and a series of projections of the Fund's income and expenditure for the period. This Review updates the 2005 Review taking into account policy, economic and demographic changes in the period since that review was undertaken.

The Actuarial Review is to inform short, medium and long-term policy development in relation to the social insurance system generally. It considers the adequacy or otherwise of the current contributions to finance the various social insurance benefits and pensions.

The Minister today presented a copy of the review to Joanna Tuffy, TD, chairman of the Joint Oireachtas Committee on Education and Social Protection. The Minister said her officials would be offering the committee a full briefing on the content of the report on 20th September 2012.

Minister Burton welcomed the Review saying: "This Review is both timely and insightful.
One of my key priorities as Minister for Social Protection is to balance the books, in particular by starting to put the Social Insurance Fund on a sustainable footing. A core principle of sustainable social insurance systems in advanced economies is that citizens receive benefits in proportion to their contributions. I am very pleased that the philosophy of social insurance which is based on solidarity continues to hold true. Social insurance offers excellent value for those on lower incomes, people with shorter working lives, particularly women and the self-employed.

"The significant shortfall in the Social Insurance Fund, which is being met by the Exchequer, and the prospect of acceleration of this deficit in the future, represents a daunting challenge which must be addressed. This publication provides a platform for understanding the dynamics of funding for social insurance and a basis on which policy options for the future sustainability of the Fund can be explored.

"I would, however, urge caution in the use of individual figures relating to longer term projections presented in the Review. Long-term projections are, by their very nature, difficult to predict. It is, however, the trends which emerge over time which provide a basis for assessing the health of the Fund. There is little doubt that the longer term trends are cause for serious concern. These trends provide an impetus to take the first steps towards re-assessing the long-term sustainability of the Social Insurance Fund which is both fair and equitable to those contributing to social insurance and those receiving and expecting to receive benefits from it."

The 2010 Actuarial Review of the Social Insurance Fund is available at [www.welfare.ie](http://www.welfare.ie).

**ENDS**

**Editor's note:**

Under Social Welfare legislation, regular Actuarial Reviews of the Social Insurance Fund
are required to be undertaken at five-yearly intervals. The first such review was published in 2002 and the second review was published in 2007. The aim of the review is to establish the medium and longer-term financial situation of the Fund.

The 2010 review was carried out independently by KPMG who were appointed following a competitive tendering process.

Social welfare payments in Ireland are made in three main categories: social insurance, which provides benefits based on an individual's social insurance contribution history; social assistance, providing means-tested payments and universal payments such as Child Benefit, which are not means tested. The Actuarial Review relates to social insurance payments only. The review will inform both short to medium term and long term policy development in relation to the social insurance system generally and builds on the findings of the 2000 and 2005 reviews in relation to social insurance benefits and pensions.

The 2010 report of the Actuarial Review was laid before the Houses of the Oireachtas on 24 August 2012 and has been available to members of the Oireachtas since then.

**Additional Information:**

**Background on Social Insurance Fund**

The social insurance system in Ireland operates through the Social Insurance Fund which was established in 1953.

- Social insurance contributions (PRSI) are paid into the Fund which finances a broad range of contributory social insurance benefit, pensions and other payments.
- The Irish social insurance system is a 'pay as you go' system whereby current contributors finance the pensions and benefits of present recipients, while also building up entitlement to their own future benefits.
- Traditionally, social insurance spending has been funded on a tripartite basis with contributions coming from the exchequer, employers and employees. Legally, the Exchequer is the residual financier of the Fund and Exchequer contributions were the norm for over forty years e.g. in 1967 the State contribution was 38% and almost 29% in 1985.
- The social insurance system has developed over the years and the vast majority of the working adult population is now covered by the system for pension purposes and, in the case of most employees, for short-term benefits.

**Key findings of the Actuarial Review**

(i) The Fund currently has a significant shortfall of expenditure over income (provisional 2011 shortfall of €1.5bn on expenditure of €9.0bn but income of €7.5bn).

(ii) In the absence of any action to tackle the shortfall, the 2011 deficit of €1.5bn will double to €3.0bn by 2019 and will have increased to €25.7bn by 2066. These figures refer to the projected annual deficit in the particular year in question.

(iii) Assuming no action is taken the sum of all the annual deficits up to 2066, expressed in current terms, is projected to be €323.7bn.

(iv) As a % of GNP, the shortfall will increase from 1.1% of GNP in 2011 to 2% in 2019 and further increase to 6.4% by 2052 before gradually reducing to 5.7% by 2066.

(v) Unless PRSI income increases and/or expenditure levels reduce, the Exchequer subvention will need to more than treble (from 2011 levels) by 2030 and increase by a factor of almost eight by 2040.

(vi) The deterioration of the shortfall in the Fund will continue despite recent changes to social insurance funded schemes - including increases in the State Pension age and the more onerous eligibility criteria for the State Pension (Contributory) (SPC).

(vii) In the medium to long term, pension related expenditure will account for an increasing proportion of Fund expenditure - rising from 57% in 2011 to 85% in 2066. The over 65 year old population is projected to increase from 11% of the total population in 2010 to 15% in 2020 and to 24% in 2060.

(viii) The pensioner support ratio is projected to decline from 5.3 workers for every individual over pension age in 2010 to 3.9 workers by 2020 and to 2.1 workers by 2060.

(ix) The social solidarity principle which underlies the Fund is reflected in the fact that, for those at the higher end of the income distribution, the Fund is redistributive and they generally get back less than they pay in.

(x) Notwithstanding the changes in the contribution rules and associated rates of payment which will be introduced in September 2012, those with lower earnings and those with shorter contribution histories will continue to obtain the best value for money from the Fund. This is because the impact of these changes continues to be outweighed by the lower contributions paid into the Fund in respect of these workers.

**ENDS**