FRASER RESEARCH BULLETIN

February 2022

The Age of Eligibility for Public Retirement Programs in the OECD: 2022 Update

by Ben Eisen, Steve Lafleur, and Jason Clemens

Summary

- The population is aging in high income countries in the OECD, including Canada.
- Of the 22 high-income OECD countries apart from Canada, 16 have either already increased the age of eligibility for public retirement programs to above age 65 or are in the process of doing so.
- Five countries are indexing their age of eligibility to life expectancy, meaning that the retirement age will automatically adjust upward if life expectancy increases.
- There is a clear trend across high-income countries towards increasing eligibility ages for retirement benefits.
- Once all the currently planned reforms of the high-income OECD countries are fully implemented, Canada's 65-year-old age of eligibility will put it in a tie for having the lowest retirement age of the high-income countries.
- In 2015, Canada's government reversed a 2012 reform that would have increased the age of eligibility for Old Age Security and the Guaranteed Income Supplement to 67 by 2029. The federal government estimates that this reversal will cost $10.4 billion in 2030.

Introduction

As documented in the study *Canada's Aging Population and Implications for Government Finances* (Jackson, Clemens, and Palacios, 2017)[1] and elsewhere, Canada's federal and provincial governments will experience financial pressures from increases in spending on such programs as health care and income support for seniors.

Canada is not unique in dealing with an aging population. The Organization for Economic Co-operation and Development (OECD) is a group of 35 of the world's most economically developed countries. The OECD predicts that the dependency ratio (the ratio of retired people to the working-age population) will increase across the OECD in coming decades (OECD, 2021). The anticipated fiscal pressures on these countries from their aging populations have motivated many of them to enact a variety of reforms in an attempt to mitigate these pressures.[2]

This bulletin[3] provides an overview of one particular reform enacted across most OECD countries: a change in the age of eligibility for public retirement programs. The summaries presented in this bulletin are taken from the OECD's biennial *Pensions at a Glance* publications from 2015, 2017, 2019, and 2021. Identifying the age of eligibility for public retirement programs is not completely straightforward as several countries have multiple policies and programs in place to promote financial security for elderly citizens and residents. Further, some programs are designed to help generate savings by permitting retirees to delay collecting old age benefits in exchange for receiving larger payments when they do. For example, in the United States, eligible people may delay receiving social security until age 71. Generally, we do not attempt to describe such features, focusing instead on the primary baseline retirement age for eligibility.

The OECD analysis and this bulletin both seek to identify and focus on each country's primary public retirement program(s).[4] Taken together, these OECD documents provide an overview of changes to the eligibility requirements for retirement programs since the early 2010s.

The bulletin's first section summarizes the age of eligibility for public retirement programs in Canada and other OECD countries. The second shows the age of eligibility for public pensions in Canada and the 22 other high-income OECD countries, highlighting recent and ongoing reforms.[5]

[1] The paper cited here is an update of a study completed by McGill University economist Christopher Ragan (2011).

[2] See, for example, International Monetary Fund (2010).

[3] This bulletin is an update of a 2017 Fraser Institute Study (Clemens and Parvani, 2017), which provides new information from OECD reports published since the release of the initial Fraser Institute study. In many cases, verbiage is drawn directly from that study with the permission of the authors. All errors in this document, however, are nevertheless the sole responsibility of its authors.

[4] For a more thorough examination of both the OECD pensions in general and those of specific countries, see OECD (2021).

[5] The 23 countries included in the analysis are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States.

Lower-income OECD member countries[6] were excluded from this analysis to ensure that the comparisons with Canada were from similar countries. The bulletin ends with a brief conclusion.

Canada and the age of eligibility for public retirement programs

Canada's retirement pension system consists of three key components: a flat-rate public benefit (Old Age Security), an earnings-based public benefit (Canada Pension Plan or the Quebec Pension Plan), and voluntary private savings including RRSPs, registered pensions, TFSAs, and other savings.

Old Age Security (OAS) is a federal program that provides a flat-rate benefit to all eligible residents regardless of their employment history.[7]

In order to be eligible for OAS benefits, an individual must have resided in Canada for at least 10 years of their adult life (after they turn 18) (Canada, 2021a). The Guaranteed Income Supplement (GIS)[8] is a supplemental payment for low-income seniors and is linked to the OAS. In early 2012, then Prime Minister Stephen Harper announced at the World Economic Forum annual meeting in Davos that the Conservative government would, among many other policies announced, slowly increase the age of eligibility for Old Age Security and the Guaranteed Income Supplement from 65 to 67 (Kennedy and Press, 2012). Budget 2012 followed through on the prime minister's announcement. It outlined a plan that would phase in an increase in the age of eligibility for OAS and GIS to 67. The plan exempted from the phase-in anyone who was 54 years old or older in 2012. It started by increasing the age of eligibility in April of 2023 and planned to achieve full implementation in January 2029.[9]

As the next section will demonstrate, the Harper government's proposed reforms were generally in accord with those being implemented in many other industrialized countries.[10] That is to say that internationally there has been a trend towards raising the age of eligibility for old age benefits.

However, after the defeat of the Harper government in the fall of 2015, one of the first major acts of the Trudeau Liberal government was to reverse this policy reform. Specifically, Budget 2016, the Trudeau government's first full budget, cancelled the planned increase to the age of eligibility for the OAS and GIS programs by reinstituting age 65 as the age of full eligibility for both programs (Canada, Department of Finance, 2016b).

[6] The excluded OECD member countries are Chile, the Czech Republic, Estonia, Greece, Hungary, Israel, Latvia, Mexico, Poland, Slovak Republic, Slovenia, and Turkey. In addition, other major economies covered by the OECD (but not members of it) were also excluded: Argentina, Brazil, China, India, Indonesia, Russian Federation, Saudi Arabia, and South Africa.

[7] While the OAS is provided to all eligible Canadians, there is a claw-back in the benefits based on reported income.

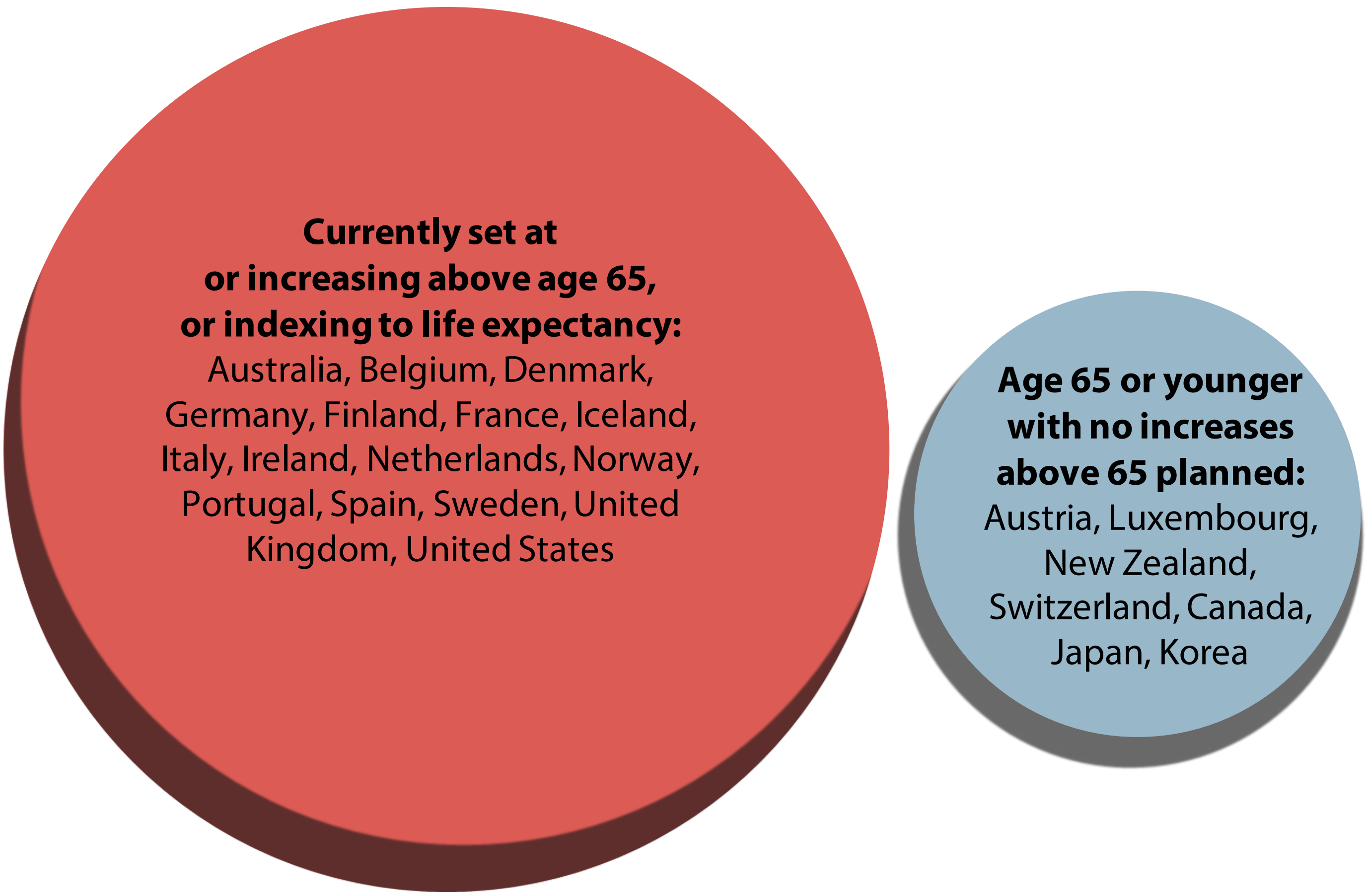
[8] For information on Canada's Guaranteed Income Supplement, particularly its eligibility requirements, see Canada (2020b).

[9] For more information, see Canada, Department of Finance (2012a) and Canada, Department of Finance (2012b: Chapter 4, p. 187).

[10] For an evaluation of the proposed reforms by the Harper government as well as suggestions for additional reforms, see Clemens, Palacios, and Veldhuis (2013).

Age of Eligibility for Public Retirement Programs in the OECD, 2022

Age of Eligibility for Public Retirement Programs



OECD countries and the age of eligibility for public retirement programs

As outlined in the introduction, most OECD countries have reformed their public pension systems over in recent years. The OECD's biennial report, *Pensions at a Glance* from 2015, 2017, 2019, and 2021 show that over nearly a decade, a substantial portion of the changes to retirement-income programs were aimed at improving their financial sustainability and/or increasing retirement income adequacy (OECD, 2015a). The most common way for countries to do this was to increase the age of eligibility for public retirement programs. This section summarizes the age of eligibility for public pension benefits in the 22 high-income OECD countries apart from Canada.

Of course, the age of eligibility is not the only determinant of the generosity of the program for elderly people or the cost to taxpayers and governments. This bulletin focuses on the age of eligibility, but it is important to note that other factors, particularly the size of annual payments, are also relevant.

Prior to delving into each country's specifics, it's worthwhile to quickly review the overall trends that high-income OECD countries included in this analysis have undertaken (see figure 1). Of the 22 high-income OECD countries apart from Canada, 16 have either already increased the age of eligibility above the age of 65 or are in the process of doing so. Moreover, five of those countries plan future increases to the age of retirement linked to life expectancy (Denmark, Finland, Italy, the Netherlands, and Portugal,).

Just six other countries included in the analysis (Austria, Japan, Korea, Luxembourg, Norway, and Switzerland) have no plans to increase the age of qualification above 65). Canada, with its brief commitment to increasing the age of eligibility and its near immediate reversal of that decision belongs in this category.

Specific country reforms[11]

- In Australia, the current age of eligibility for the main public pension benefit, the Age Pension, is 66.5 years of age for both men and women, up from 65 in 2017. The qualification age will increase to 67 in 2023.

- In Austria, the current pension age is 60 years for women and 65 years for men. The retirement age for both men and women was set to increase to 67, but Parliament reversed that decision, though the retirement age for women will still be increased to 65.

- Belgium's current pensionable age for both men and women is 65 years. However, reforms have scheduled an increase in the age of eligibility for the state pension to 66 years in 2025 and 67 years in 2030 for both men and women.

- In 2019, Denmark began a process of gradually increasing the age of eligibility from 65 years to 68 years by 2030. The current age of eligibility is 66 years. Beyond 2030, the pension age will be indexed to life expectancy.

- In 2014, Finland introduced a number of pension reforms aimed at normalizing the age of eligibility for all its public pension programs to age 65. In addition, once all these reforms are fully enacted, which is expected in 2027, Finland will thereafter link the age of eligibility to life expectancy. It is estimated that by 2060 the "normal" retirement age will be 68.

- France's full public pension is payable to individuals aged 65 and over. There were plans to increase the age of eligibility for the full pension to 67 years, but the plan was delayed due to the pandemic (De Clercq, 2021). Prime Minister Macron has committed to proceeding with the planned reforms, which include eligibility for full pensions, as economic circumstances permit following the pandemic (Reuters, 2021).

- In 2012 the German government began a process of increasing the age of eligibility for its pension benefits to 67 years for those born in 1964 or later.

- In Iceland, the normal age of eligibility for public pension benefits is 67 years.

- In Ireland, the age of eligibility for the state pension was increased from 65 to 66 years old in 2014. Ireland planned to increase the age of eligibility to 68, but the increase was subsequently repealed.

- In Italy, the age of retirement has increased to 67 years of age for both public and private employees. Further increases to the official pension age will be tied directly to increases in life expectancy.

- In Japan, the government is currently in the process of increasing the age of eligibility for the earnings-related pension to 65 years for

[11] Data for this section are based upon OECD *Pensions at a Glance* reports unless otherwise stated (OECD, 2021).

both men (by 2025) and women (by 2030). Eligibility for the basic government-provided old-age pension is already 65 years of age.

- In Korea, the age of eligibility for normal pension benefits is being raised to 65 years by 2033 from its current age of 62 years.

- In Luxembourg, the age of eligibility for the old-age pension is 65 years.

- In the Netherlands, the Dutch government introduced reforms in 2013 to increase the official pension age from 65 to 67 years by 2021. As of 2020, the age of eligibility was 66 years and 4 months. From 2022 onwards, the statutory pension age will be tied to increases in life expectancy.

- New Zealand's current age of eligibility for full pension benefits is 65.

- Norway has a comparatively complicated pension system with a number of distinct components. However, any individual residing in Norway for 40 years can claim the full basic public pension at age 67. There are currently no plans for additional changes.

- The government in Portugal raised the pension age from 66 years in 2014 to 66 years and five months in 2020. The age of eligibility in Portugal is linked to life expectancy. Specifically, the age of eligibility is increased by two-thirds of any change in life expectancy from age 65 calculated over two-year incremental periods.

- The age of eligibility for retirement in Spain is currently 65 years and ten months. The country is in the process of increasing the age of eligibility for pensions to 67 years by 2027.

- Sweden will gradually increase its age of eligibility for its guaranteed pensions from 65 to 67 between now and 2026 (Coles, 2020).

- In Switzerland, the pensionable age is 64 for women and 65 for men.

- In the United Kingdom, the current age of eligibility for the public pension benefit is 66 years of age, up from 64 years for women and 65 years for men in 2017. This will increase to 67 years of age between 2026 and 2028.

- In the United States, the age of eligibility for social security was 66 years and 8 months in 2020 and will increase to 67 years by 2022.

This summary shows that Canada is among a minority of countries that have not either already implemented or are not planning to implement increases to the age of eligibility for its primary retirement programs. Most OECD countries are planning to change their eligibility age for their primary old age benefits either to an older set age or by increasing the eligibility age by indexing it to life expectancy.

Conclusion

This bulletin has provided an overview of one particular pension reform that has been implemented across the vast majority of high-income OECD countries: changes in the age of eligibility for retirement programs. It is evident that the recent decision by the Trudeau government to reinstate a lower age threshold for Old Age Security and the related Guaranteed Income Supplement for low-income Canadians diverges from old age income support reforms implemented by most other high income countries. Partly due to the fact that most other high income OECD countries are raising their age of eligibility for old age programs, once currently announced programs are implemented (and assuming no other changes), Canada will have one of the lowest ages of eligibility for such programs amongst high income OECD countries.

References

Canada (2021a). Old Age Security. Government of Canada. <https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/eligibility.html>, as of January 25, 2022.

Canada (2021b). Guaranteed Income Supplement. Government of Canada. <https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/guaranteed-income-supplement.html>, as of January 25, 2022.

Canada, Department of Finance (2012a). *Do You Already Receive Old Age Security? Then These Changes Don't Affect You*. Government of Canada. <http://www.budget.gc.ca/2012/themes/theme3-eng.html>, as of January 25, 2022.

Canada, Department of Finance (2012b). *Budget 2012: Jobs, Growth, and Long-Term Prosperity*. Government of Canada. <http://www.budget.gc.ca/2012/plan/pdf/Plan2012-eng.pdf>, as of January 25, 2022.

Clemens, Jason, Milagros Palacios, and Niels Veldhuis (2013). *Reforming Old Age Security: A Good Start but Incomplete*. The Fraser Institute. < https://www.fraserinstitute.org/sites/default/files/reforming-old-age-security.pdf>, as of January 25, 2022.

Clemens, Jason, and Sasha Parvani (2017). *The Age of Eligibility for Public Retirement Programs in the OECD*. Fraser Institute. <https://www.fraserinstitute.org/sites/default/files/age-of-eligibility-for-public-retirement-programs-in-the-oecd.pdf>, as of January 25, 2022.

Coles, Isabel (2020). Sweden: Retirement Age Increases. MBWL International. <https://mbwl-int.com/insights/sweden-retirement-age-increases/>, as of January 25, 2022.

de Clercq, Geet (2021, November 9). Macron Delays Pension Reform, Unlikely Before 2022 Election. Reuters. <https://www.reuters.com/world/europe/macron-delays-pension-reform-unlikely-before-2022-election-2021-11-09/>, as of January 25, 2022.

Jackson, Taylor, Jason Clemens, and Milagros Palacios (2017). *Canada's Aging Population and Implications for Government Finances*. The Fraser Institute. <https://www.fraserinstitute.org/sites/default/files/canadas-aging-population-and-implications-for-government-finances.pdf>, as of January 25, 2022.

Kennedy, Mark, and Jordan Press (2012, January 26). "Major Transformations" Coming to Canada's Pension System, Harper Tells Davos. *National Post*. <https://nationalpost.com/news/canada/major-changes-coming-to-canadas-pension-system-harper-says-in-davos-speech>, as of January 25, 2022.

OECD (2021). *Pensions at a Glance, 2021: OECD and G20 Indicators*. <https://www.oecd.org/publications/oecd-pensions-at-a-glance-19991363.htm>, as of January 25, 2022.

Office of the Superintendent of Financial Institutions (OSFI) (2012). *Actuarial Report (11th) Supplementing the Actuarial Report on the Old Age Security Program*. Government of Canada. <http://www.osfi-bsif.gc.ca/Eng/oca-bac/ar-ra/oas-psv/Pages/OAS11.aspx#Toc-Ia>, as of January 25, 2022.

Office of the Superintendent of Financial Institutions (OSFI) (2016). *Actuarial Report (13th) Supplementing the Actuarial Report on the Old Age Security Program as at 31 December 2012*. Government of Canada. <http://www.osfi-bsif.gc.ca/Eng/oca-bac/ar-ra/oas-psv/Pages/oas13.aspx#toc-VI>, as of January 25, 2022.

Ragan, Christopher (2012). *Canada's Looming Fiscal Squeeze*. Updated (March). Macdonald-Laurier Institute. <https://www.mcgill.ca/economics/files/economics/canadas_looming_fiscal_squeeze_revised_0.pdf>, as of January 12, 2022.

Reuters (2021). France's Macron Says Pension Reform to Go Ahead, Virus Situation Permitting. Reuters. <https://www.reuters.com/world/europe/frances-macron-says-pension-reform-go-ahead-virus-situation-permitting-2021-07-12/>, as of January 25, 2022.

***Ben Eisen** is a Senior Fellow in Fiscal and Provincial Prosperity Studies at the Fraser Institute. He holds a BA from the University of Toronto and an MPP from the University of Toronto's School of Public Policy and Governance.*

***Steve Lafleur** is Senior Policy Analyst at the Fraser Institute. He holds an M.A. in Political Science from Wilfrid Laurier University and a B.A. from Laurentian University where he studied Political Science and Economics. His current research focus is on the economic competitiveness of the Prairie provinces.*

***Jason Clemens** is the Executive Vice President of the Fraser Institute. He has a Master's Degree in Business Administration from the University of Windsor as well as a Post Baccalaureate Degree in Economics from Simon Fraser University. He has published over 70 major studies on a wide range of topics.*

ISSN 2291-8620

Media queries: For media enquiries, please contact our communications department via e-mail: communications@fraserinstitute.org; telephone: 604.714.4582.

Support the Institute: call 1.800.665.3558, ext. 574 or e-mail: development@fraserinstitute.org

Visit our **website**: **www.fraserinstitute.org**

Acknowledgments

The authors wish to thank the anonymous reviewers for their suggestions and feedback. Any remaining errors or oversights are the sole responsibility of the authors.

As the researchers have worked independently, the views and conclusions expressed in this paper do not necessarily reflect those of the Board of Directors of the Fraser Institute, the staff, or supporters.