

Key results

Future normal and early retirement ages will continue to rise. Assuming labour market entry at age 22 in 2020 the normal retirement age will increase to 66.1 for men and 65.5 for women on average across all OECD countries against 64.2 and 63.4 years, respectively, for retirement in 2020.

Normal retirement age

Across countries, the average normal retirement age for a man with a full career from age 22 equalled 64.2 years in 2020 (Figure 3.8). For the generation entering the labour market in 2020, this age will increase to 66.1 years (hence around 2064). Meanwhile, the remaining life expectancy of men at age 65 is projected to increase on average from 18.1 to 22.5 years (see Chapter 6). So, the average increase in men's normal retirement ages will account for about half the average increase in old-age life expectancy.

The normal retirement age of men will increase in 20 out of 38 OECD countries. The highest increase is projected for Turkey, from 52 currently to 65 years. Assuming that legislated life expectancy links are applied, also Denmark, from 65.5 to 74 years, and Estonia, from 63.8 to 71 years, will rapidly raise the retirement age. This is also true for Italy where the retirement age will increase from 62 in 2020 (as mentioned earlier, the retirement age in 2020 is temporarily lowered from 64.8 years) to 71 years for the modelled cohort.

The lowest future retirement age for men equals 62 in Colombia, Luxembourg and Slovenia. Normal retirement ages in G20 countries outside the OECD tend to be lower, both today and in the future; in Saudi Arabia even below 50 for both current and future retirees – the statutory retirement age is 58 but individuals can leave without penalty after 25 years so for this model the normal age is 47.

In 2020, gender differences in the normal retirement age existed in nine OECD countries (Figure 3.7). However, for the

generation entering the labour market in 2020, gender gaps will have been phased out everywhere in the OECD except in Colombia, Hungary, Israel, Poland, Switzerland and Turkey (the legislated retirement age for women in Hungary is also 65, but they can leave without penalty after 40 years, hence 62 for this case). In Turkey, it will be phased out for those entering in 2028. Marked gender gaps also exist in several non-OECD G20 countries.

Table 3.6 shows the rules for early, normal and late retirement by pension scheme for a person entering the labour force at age 22 in 2020. The lowest normal age will apply in the FDC scheme of Chile for women, equalling 60 years. However, as women in Chile are not eligible to the targeted pension before 65 the latter is recorded as their normal retirement age.

Early retirement

Under the assumption of full annuitisation, FDC schemes benefits are automatically actuarially adjusted to the age at retirement and, therefore, only an early retirement age is specified, like in Norway and Sweden for NDC. The NDC schemes in Italy, Latvia and Poland still specify a standard retirement age indicated as normal age in the table.

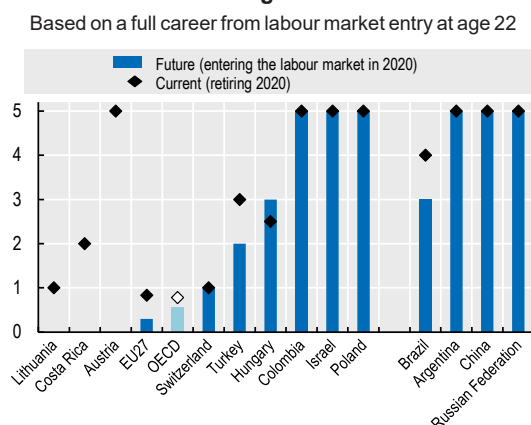
All DB and points schemes, except in Colombia, Costa Rica, Hungary and Turkey, will allow to claim a pension early. In Luxembourg the early and normal retirement ages coincide for a full-career worker entering the labour market at age 22. Pension benefits for early retirees are usually reduced to reflect the longer durations in retirement. Only Belgium and Luxembourg do not impose such a penalty.

Residency-based basic and targeted schemes exclude the option for early pension receipt. The contribution-based schemes in the Czech Republic, Estonia, Greece, Japan, Korea and Luxembourg that pay both basic and earning-related components allow early retirement. Countries that combine basic or targeted schemes with occupational pensions typically set a comparatively low retirement age in the occupational scheme while the basic or targeted scheme assures a certain minimum retirement income only above 65.

Late retirement

Options for retirement deferral often mirror those for early pensions. DB, FDC and points schemes usually compensate the shorter expected retirement spell by bonuses which tend to be higher than the penalties for early retirement, with a maximum-rate of about 12% per year in case of a 10-year deferral in the basic/targeted scheme of Denmark and in some exceptional cases for a one-year deferral in the Portuguese DB scheme. Colombia, France in the mandatory occupational scheme, Greece and, again, Belgium and Luxembourg, deviate by not paying a deferral bonus in DB or points schemes. Many basic, minimum and targeted schemes do not pay a bonus either. Late retirement ages, maximum accrual rates and maximum pensions stop accrual of pension rights in some countries (see note of Table 3.4).

Figure 3.7. Gender gap in current and future normal retirement ages



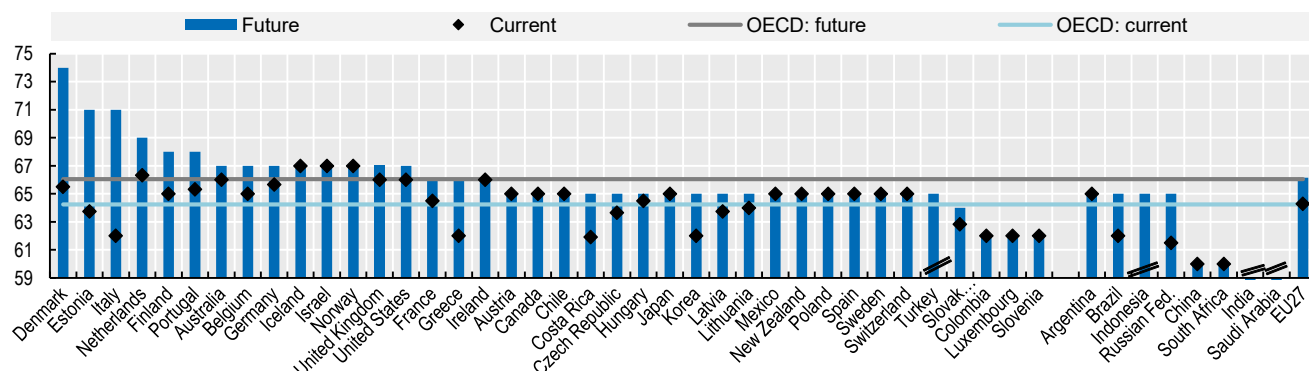
Note: See the StatLink.

Source: OECD based on information provided by countries.

StatLink <https://stat.link/2cvxya>

Figure 3.8. Current and future normal retirement ages for a man with a full career from age 22

Current and future refer to retiring 2020 and entering the labour market in 2020, respectively



Note: For better visibility, the scale of this chart excludes the lowest observed values of 47 for both current and future in Saudi Arabia, 52 for current in Turkey, 57 for current in Indonesia and 58 for both current and future in India. Credits for educational periods are not included. More notes in the StatLink.

Source: OECD based on information provided by countries; see "Country Profiles" available at <http://oe.cd/pag>.

StatLink <https://stat.link/9n57a3>

Table 3.6. Future ages, penalties and bonuses for early, normal and late retirement by type of pension scheme

For an individual with an uninterrupted career after entering the labour market at age 22 in 2020

	Scheme	Early age	Penalty (p.a.)	Normal age	Bonus (p.a.)		Scheme	Early age	Penalty (p.a.)	Normal age	Bonus (p.a.)
Australia	T	n.a.		67	0.0%	Israel (cont)	(M) FDC	67			
	FDC	60	..		..		(W) FDC	62			
Austria	DB, Min	62	5.1%	65	4.2%	Italy	NDC	68	..	71	..
Belgium	DB	n.a.	0.0%	67	0.0%	Japan	Basic, DB	60	6.0%	65	8.4%
	Min	n.a.		67	0.0%	Korea	Basic, DB	60	6.0%	65	7.2%
Canada	Basic	n.a.		65	7.2%	Latvia	NDC, Min, FDC	63	..	65	..
	T	n.a.		65	0.0%	Lithuania	Basic, Points	60	3.8%	65	8.0%
	DB	60	7.2%	65	8.4%	Luxembourg	Basic, DB, Min	62	0.0%	62	0.0%
Chile	Min, T	n.a.		65	0.0%	Mexico	Basic	n.a.		65	
	(M) FDC	any age & SL	..	65	..		Min	60		65	0.0%
	(W) FDC	any age & SL	..	60	..		FDC	60 or SL	..	..	..
Colombia	(M) DB, Min	n.a.		62		Netherlands	Basic	n.a.		69	0.0%
	(M) FDC	any age & SL		62			DB (Occ)	sector-specific	..	..	..
	(W) DB, Min	n.a.		57		New Zealand	Basic	n.a.		65	0.0%
	(W) FDC	any age & SL		57		Norway	T	n.a.		67	0.0%
Costa Rica	DB, FDC	n.a.		65	1.6%		NDC	62	..	..	..
Czech Republic	DB	60	3.6-6% [I]	65	6.0%		FDC (Occ)	62	..	..	..
	Basic, Min	60	0.0%	65	0.0%	Poland	(M) NDC, Min	n.a.		65	..
Denmark	Basic, T	n.a.		74	6.9-11.9% [I]		(W) NDC, Min	n.a.		60	..
	FDC (ATP)	74	..		5.0%	Portugal	DB	25	7.8%	68	0.0-12.0% [I, w, y]
	FDC (Occ)	68	..		..		Min	n.a.		68	0.0%
Estonia	Basic, points	66	5.1%	71	5.6%	Slovak Republic	Points, Min	62 & SL	6.5%	64	6.0%
Finland	DB	65	4.8%	68	4.8%	Slovenia	DB, Min	60	3.6%	62	3.0%
	T	n.a.		68	4.8%	Spain	DB, Min	63	6.0% [y]	65	4.0% [y]
France	DB, Min	62	5.0%	65	5.0%	Sweden	T	n.a.		65	0.0%
	Points	57	4-5.7.0% [I, y]	66	0.0%		NDC, FDC	62	..	..	..
Germany	Points	65	3.6%	67	6.0%		FDC (Occ)	55	..	65	..
Greece	Basic, DB, NDC	66	6.0%	66	0.0%	Switzerland	(M) DB, Min	63	6.8%	65	5.2-6.3% [I]
	(M) DB, Min	n.a.		65	6.0%		(W) DB, Min	62	6.8%	64	5.2-6.3% [I]
	(W) DB, Min	n.a.		62	6.0%		(M) DB (Occ)	58	2.0-3.0% [I]	65	3.9-4.2% [I]
Iceland	Basic, T	n.a.		67	6.0%		(W) DB (Occ)	58	2.0-3.0% [I]	64	3.9-4.2% [I]
	FDC (Occ)	65	6.6%	67	6.0%	Turkey	(M) DB, Min	n.a.		65	0.0%
Ireland	Basic	n.a.		66	0.0%		(W) DB, Min	n.a.		63	0.0%
Israel	(M) Basic	n.a.		67	5.0%	United Kingdom	Basic	n.a.		67	5.8%
	(W) Basic	n.a.		62	5.0%		FDC (Occ)	57		67	
						United States	DB	62	6.7-5.0% [I]	67	8.0%

Note: See statlink.

Source: OECD based on information provided by countries; see "Country Profiles" available at <http://oe.cd/pag>.

StatLink <https://stat.link/qfbnrc>

3. FURTHER READING

- [1] OECD (2019), *OECD Reviews of Pension Systems: Portugal*, OECD Reviews of Pension Systems, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264313736-en>.
- [2] OECD (2019), "Will Future Pensioners Work for Longer and Retire on Less? Policy Brief on Pensions", Vol. OECD Publishing, Paris, <https://www.oecd.org/pensions/public-pensions/OECD-Policy-Brief-Future-Pensioners-2019.pdf>.
- [3] OECD (2015), *Pensions at a Glance 2015: OECD and G20 indicators*, OECD Publishing, Paris, https://dx.doi.org/10.1787/pension_glance-2015-en.



From:

Pensions at a Glance 2021

OECD and G20 Indicators

Access the complete publication at:

<https://doi.org/10.1787/ca401ebd-en>

Please cite this chapter as:

OECD (2021), “Future retirement ages”, in *Pensions at a Glance 2021: OECD and G20 Indicators*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/eeab2ce9-en>

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