

Researchers predict pensions catastrophe

November 28 2007

Recent increases in our longevity could have disturbing implications for the government, pension companies and life insurance industries.

A group of academics are warning that increases in longevity translate into bad news for those with obligations to pay our pensions or look after us when we are old; to make matters worse, projections of future longevity are also very uncertain.

Kevin Dowd, Professor of Financial Risk Management at The University of Nottingham, together with Professor David Blake from Cass Business School in London and Professor Andrew Cairns of Heriot-Watt University in Edinburgh have calculated that men reaching the age of 65 in 2050 could expect to live until a little over 90.

The researchers say their findings are bad news for those with obligations to pay pensions or otherwise provide for the elderly as it forces them to anticipate large numbers of people living to very old ages. Their projections also suggest that future longevity is highly uncertain. This finding, they say, makes the bad news even worse, and will force many pension funds to seek ways in which they can manage their exposure to longevity risk.

Professor Dowd said: “This is a major problem, not least because the financial instruments needed to manage this risk do not currently exist.”

The group investigated longevity risk with the use of fan charts calibrated on mortality data for English and Welsh males over the period

of 1962 to 2002. However, they believe there's every reason to expect that similar findings would be obtained for both males and females for any comparable countries.

Source: University of Nottingham

Citation: Researchers predict pensions catastrophe (2007, November 28) retrieved 10 April 2024 from <https://phys.org/news/2007-11-pensions-catastrophe.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.