

Longevity Risk and Retirement Age

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The biggest financial risk, and fondest hope, of most Canadians is that they outlive their cohort and their expectations. The financial risk is easily addressed through annuity purchase, but most choose not to do so. For pension funds longevity risk means mortality rates that improve more rapidly than expected. With the exception of closed plans that have already eliminated their investment and interest rate risks, this is a small risk about which little can be done at a sensible price. For governments longevity risk means people living longer without a commensurate increase in their working lives. Early attempts by governments to acknowledge and address this problem have been disappointing.