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An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office

Understanding Ireland's Social Insurance Fund

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Séanadh

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1. Executive Summary

The PBO has previously published several briefings and notes about Ireland's Social Insurance Fund (the SIF). This document is intended to consolidate these publications into a comprehensive guide to the SIF.

The SIF is the primary mechanism through which contributory social protection benefits are financed in Ireland. Funded mainly through **Pay Related Social Insurance** (PRSI) contributions, it supports a range of payments including the State Pension (Contributory), Jobseeker's Benefit, Illness Benefit and Maternity Benefit.

The Fund is currently in a strong financial position. In 2026, income is projected at approximately €19.8 billion, while expenditure is estimated at €14.8 billion, generating a substantial surplus and continuing the rebuilding of reserves following the COVID-19 pandemic. Pension-related payments account for the majority of expenditure, with the State Pension (Contributory) representing the single largest spending area.

The SIF operates largely on a pay-as-you-go basis, meaning current contributions fund current payments. As a result, its financial health is closely linked to employment levels, wage growth and broader economic conditions. Periods of strong labour market performance increase PRSI receipts and strengthen reserves, while economic downturns place pressure on the Fund through reduced contributions and increased welfare claims.

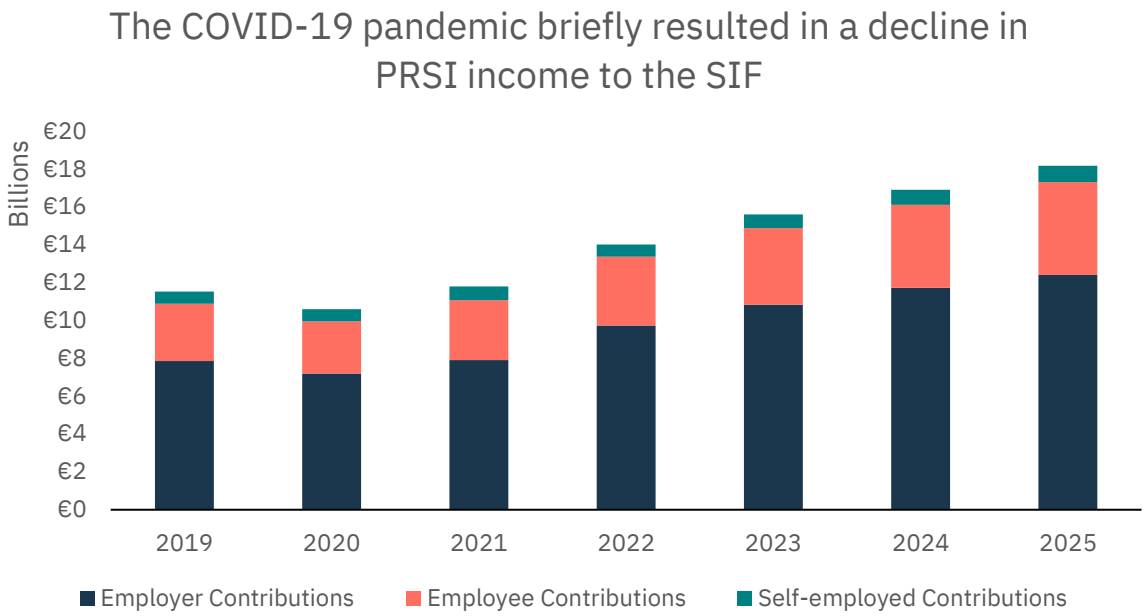
Although the short-term outlook is positive, significant long-term challenges remain. Ireland's ageing population, increasing life expectancy and a declining ratio of workers to pensioners are expected to drive substantial growth in pension costs over coming decades.

The Fund therefore faces a dual reality: it is currently generating strong surpluses and building reserves, but it will require careful management and potential policy adjustments to ensure it can continue to meet future social protection commitments.

2. What is Social Insurance?

Social insurance is a system that provides benefits to workers based on their contributions (payments) to the system. In Ireland, Pay Related Social Insurance (PRSI) is a charge collected by the Revenue Commissioners from employees, employers and self-employed persons.[1] These contributions are then paid into the Social Insurance Fund (SIF).

Figure 1: Net Cash Receipts of the SIF



Source: PBO based on Social Insurance Fund: Financial Statements 2020 (2021) Social Insurance Fund: Financial Statements 2022 (2023) Social Insurance Fund: Financial Statements 2023 (2024), and Social Insurance Fund: Financial Statements 2025 (2026).

These funds are then used to pay for various social benefits. Entitlement to these social benefits is restricted to those who contributed via PRSI contributions.

[1] Social Insurance Fund: Financial Statements 2025 (July 2026) p.6.

3. About the SIF

The Social Insurance Fund (SIF) is the central funding mechanism through which the State finances contributory social welfare payments. Established under the Social Welfare Act 1952, its core purpose was to create a dedicated, distinct fund through which workers' **PRSI** contributions could be used to finance insurance-based benefits. This reflects the social insurance principle that contributory entitlements are earned through PRSI contributions and are distinct from non-contributory schemes funded directly from general taxation. While the Fund is primarily financed through PRSI receipts, legislation also provides for **subventions** where spending from the fund is greater than contributions earned, reflecting the State's role during periods of financial pressure.[2]

Previous periods of economic downturn demonstrated that despite the Fund's size, it is exposed to high levels of volatility, as declining contribution income and rising welfare claims contributed to significant deficits and the need for Exchequer support through subventions.[3] Long-term actuarial projections indicate that demographic change, especially a declining ratio of contributors to pensioners, is likely to place increasing pressure on the Fund over coming decades unless offset by changes in contribution rates, benefits, or other policy measures.[4]

This paper outlines how the SIF operates, the sources of its income, its major spending areas, and the administrative costs associated with running the Fund. It also examines the long-term challenges facing the SIF, including demographics and economic volatility. Understanding these factors is essential when assessing the sustainability of the Fund and the fiscal risks and pressures that may occur.

[2] Comptroller and Auditor General, Funding of the Social Insurance Fund, 2014.
[3] Ibid.
[4] Comptroller and Auditor General, Actuarial Review of the Social Insurance Fund, 2022.

4. What exactly is the SIF?

The SIF operates as a distinct fund, intended to support financial stability over time by linking contributions from workers and employers to entitlements such as the State Pension (Contributory), Jobseeker's Benefit, Illness Benefit and Maternity Benefit. In practice the Fund remains vulnerable to demographic, economic and policy developments, and it does not function as a prefunded pension model. Instead, it operates on a "pay-as-you-go" basis, where the PRSI income collected in any given year finances that year's payments.[5]

4.1. How does the Fund work?

The Fund comprises two accounts:

4.1.1. A current account

The current account is managed by the Minister for Social Protection. Its purpose is to pay for the day-to-day cost of all social insurance benefits. Some examples are:

- State Pension (Contributory),
- Widow's/Widower's/Surviving Civil Partner's (Contributory) Pension,
- Jobseeker's Benefit,
- Illness Benefit, and
- Maternity Benefit.

4.1.2. An investment account

The investment account is managed by the Minister for Finance. Its purpose is for it to act as a reserve account that supports the SIF during periods when PRSI income is not enough to meet benefit payments. It is used for:

- Covering shortfalls in the current account.
- Maintaining a buffer for future demographic or economic pressures/shocks.
- Holding surpluses built up in good financial years.

[5] Economic and Social Research Institute, Increasing PRSI to fund the State Pension: Incidence and Effectiveness, 2024.

Whilst not a core account, there is also a Paymaster General 'special account' This was established in 2012 to hold funds transferred from the Exchequer for the purposes of meeting SIF short-term funding (liquidity) challenges. These advances to the SIF are repayable.[6]

4.1.3. What is a Pay-As-You-Go model?

A Pay-as-you-go (PAYG) model means that the money paid into the SIF (primarily through PRSI), is used to fund the present expenses of the SIF. This means that today's workers fund the pensions, and other benefits of others and, in turn, will largely rely on future workers to fund their pensions and benefits.

PAYG models can build surpluses (savings) that provide a buffer when:

- **The income of the fund declines:** As the number of workers declines either due to economic downturns, or simply a smaller level of contributions (perhaps due to a decline in the size of the working age population), and/or
- **The expenses of the fund increase:** As the number of dependents on the funds increase, possibly driven by increases to unemployment, or the old age (non-working) cohort. Alternatively, increases to payment rates will also drain the fund more quickly.

The PAYG model can be simply imagined as an hourglass. Sand (money) constantly flows out, the rate of that flow increases if more people are dependent on the SIF, or if the cost of their payments increases.

To avoid the SIF running out of money, there's a requirement for income (PRSI contributions). If demand exceeds supply, then the SIF may run out of funds, in this case the Exchequer is required to add additional funds alongside PRSI (this is called a subvention) to meet that demand.

[6] PBO, Social Insurance Fund, 2025.

4.2. Where does the money come from?

The primary source of income for the SIF is PRSI contributions. For 2026, PRSI contributions are estimated to account for 98.4% of the SIF's forecasted income, amounting to €19.8 billion. This has been aided by the 0.1% increase in PRSI contribution rates from 1st October 2025, which is an example of a policy choice. The income and expenditure details of the SIF can be found under Vote 37, Social Protection (page 174 in REV 2026). Table 1 provides a breakdown of all estimated income sources for 2026.

Table 1: Estimate of Income of the Social Insurance Fund 2026

Income	Estimate	% of total
Income from PRSI Contributions	€19,513,032,000	98.354%
Income Earned from Surplus	€262,592,000	1.324%
Income from recovery of overpayments which were realised in previous years	€33,684,000	0.170%
Income from Recovery of Redundancy and Insolvency Payments from Employers	€7,044,000	0.036%
Income from recovery of Social Insurance Fund scheme expenditure from Insurance Compensation Awards	€21,259,000	0.107%
Other income	€1,827,000	0.009%
Total	**€19,839,438,000**	**100%**

Source: Revised Estimates 2026 page 174.

5. What does the fund pay for?

The Social Insurance Fund (SIF) finances a wide range of contributory social welfare schemes. These can be grouped into four broad categories:

- Pensions;
- Working-Age Income Supports;
- Illness, Disability and Carers; and
- Family-Related Supports.

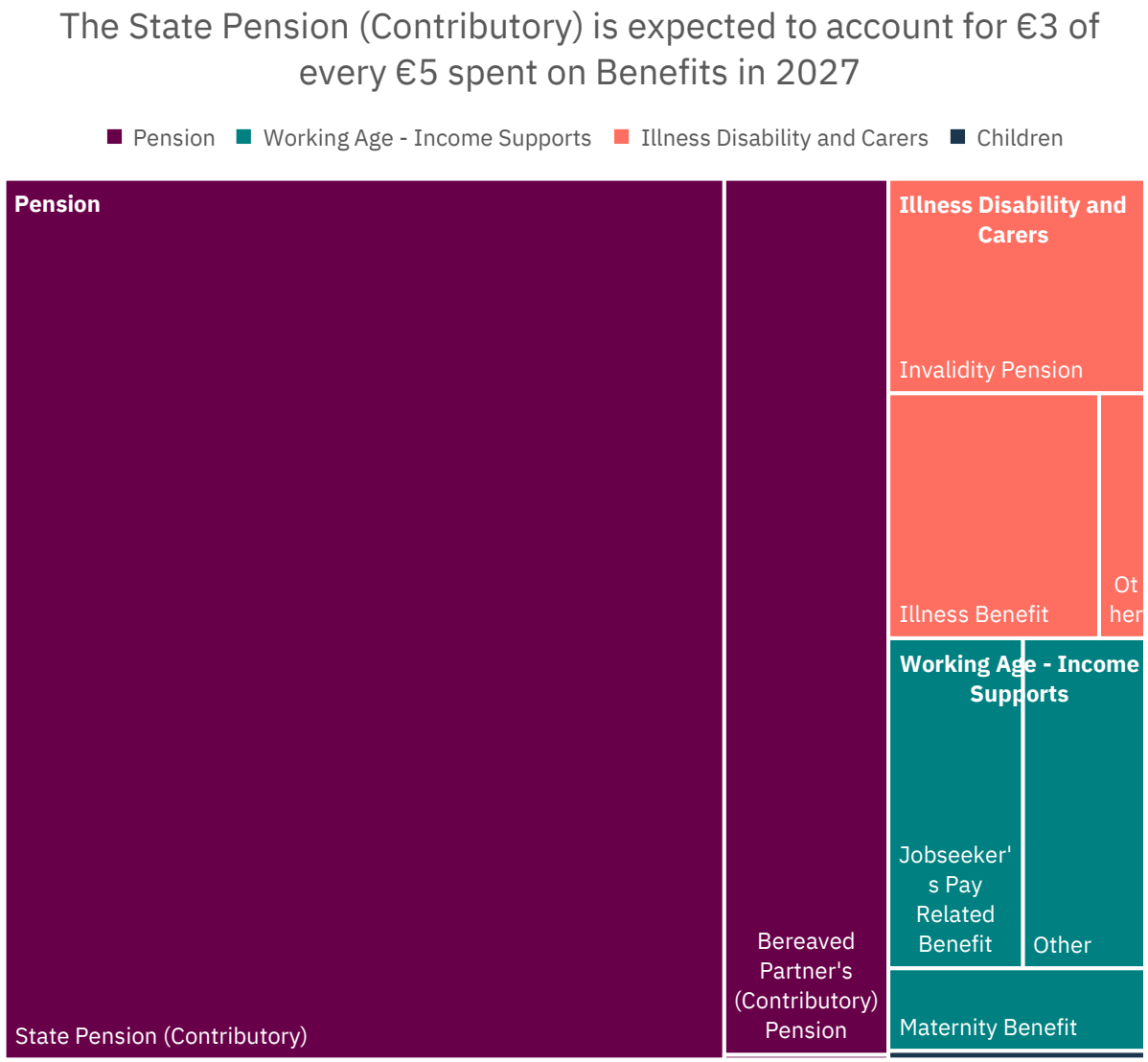
The SIF also has various costs associated with its administration.

In 2026, total expenditure from the Fund is estimated to reach €14.76 billion. €14.44 billion of this is related to the four categories of benefits outlined above. Budget 2027 set out a projected cost of these benefits in 2027 of €15.62 billion, an 8% increase.[7]

Spending is heavily concentrated in pension-related payments, which account for approximately 74.5% (€11.6bn) of total spending.[8] This reflects the Fund's primary role in financing contributory retirement and survivor benefits.

[7] Expenditure Report 2027 (October 2026).
[8] Ibid.

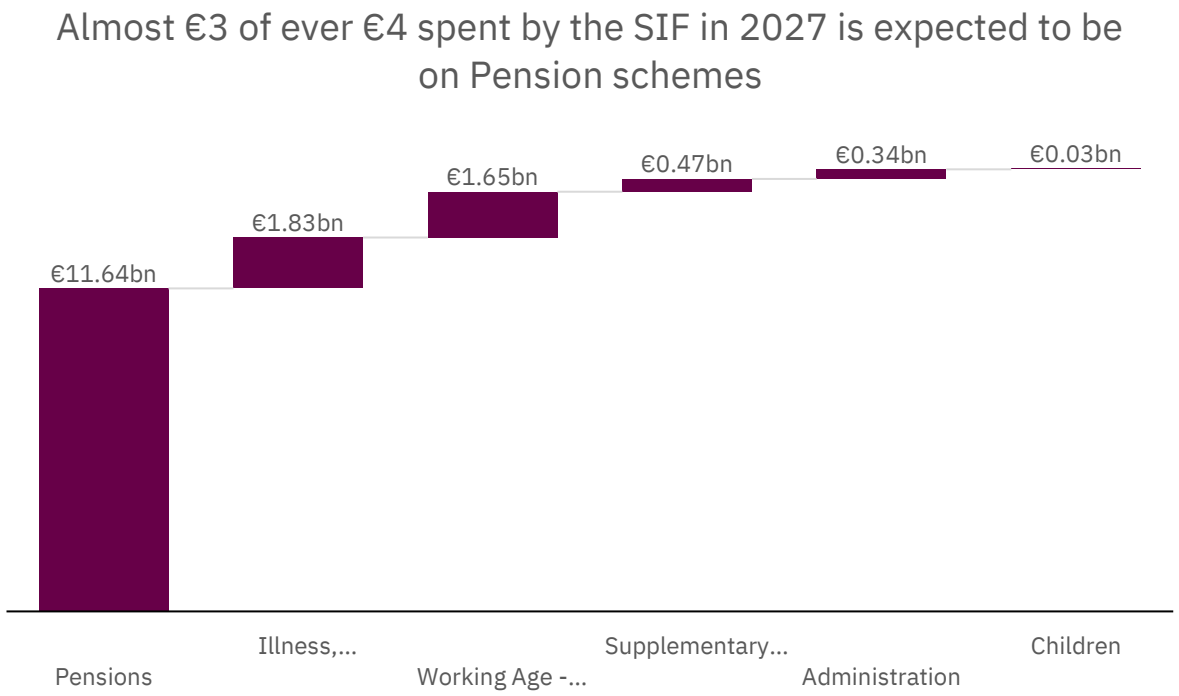
Figure 2: Benefit Composition of the SIF in 2027



Source: Expenditure Report 2027 (October 2026).

The State Pension (Contributory) is by far the largest individual payment from the Fund. In 2027, expenditure on the scheme is estimated at €9.47 billion, representing approximately ~61% of all SIF spending. The Bereaved Partner's (Contributory) Pension is the second-largest expenditure item, with estimated spending of €2.15 billion, accounting for a further ~14% of total Fund expenditure.

Figure 3: SIF Spending in 2027



Source: Expenditure Report 2027 (October 2026).

Beyond pensions, the largest area of expenditure is Illness, Disability and Carers' Supports (€1.83 billion). The Illness, Disability and Carers category encompasses seven contributory schemes, with Invalidity Pension and Illness Benefit accounting for almost 89% of expenditure within this category, equivalent to approximately €1.63 billion.[9]

The next largest category, Working-Age Income Supports, comprises thirteen schemes, including Jobseeker's Benefit, Maternity Benefit, Paternity Benefit, and Redundancy and Insolvency Payments. Despite the breadth of supports provided, the category accounts for only around 11% of total SIF expenditure (or €1.65 billion).[10]

Table 2 provides a breakdown of the most recent audited spend of the programmes funded by the SIF (2025). While expenditure levels have increased in 2026, the overall pattern of spending remains largely unchanged, with pension schemes

[9] Ibid.
[10] Ibid.

accounting for majority of spending and working-age and illness supports representing the next largest areas of spending.

Table 2: Programmes funded by the SIF in 2025

Category	Scheme	Amount
Pensions	State Pension (Transition)	€11,000
	Widows', Widowers' / Surviving Civil Partners' (Death Benefit)	€11,284,000
	Widows', Widowers' / Surviving Civil Partners' Pension (Contributory)	€1,986,464,000
	State Pension (Contributory)	€8,174,152,000
Working Age Income Supports	Jobseeker's Benefit	€402,408,000
	Jobseeker's Pay Related Benefit	€297,330,000
	Jobseeker's Benefit (Self-Employed)	€10,374,000
	Deserted Wife's Benefit	€58,125,000
	Maternity Benefit	€296,867,000
	Paternity Benefit	€17,417,000
	Parent's Benefit	€116,233,000
	Adoptive Benefit	€213,000
	Health and Safety Benefit	€497,000
	Redundancy and Insolvency Payments	€28,811,000
	Treatment Benefits	€169,192,000
	Covid-19 Pandemic Unemployment Benefit	€30,000
	Covid-19 Related Layoff Payment	€21,000
Illness, Disability and Carers	Illness Benefit	€707,247,000
	Injury Benefit	€6,454,000
	Invalidity Pension	€817,928,000
	Partial Capacity Benefit	€27,510,000
	Disablement Benefit	€74,920,000
	Medical Care Scheme	€134,000
	Carer's Benefit	€71,027,000
Children	Guardians Payment	€23,626,000
	Widowed Parent / surviving civil partner grant (c)	€7,870,000
Supplementary payments	Household benefits package	€206,317,000
	Fuel Allowance	€177,192,000
	Telephone Support Allowance	€12,338,000
Administration	Administration Expenses	€297,121,000
Payment to National Training Fund		€1,248,250,000

Source: PBO based on Social Insurance Fund Financial Statements 2025.

5.1. What does it not pay for?

While the SIF funds contributory social insurance schemes, most social welfare expenditure is financed directly by the Exchequer. Non-contributory payments, such as State Pension (Non-Contributory), Disability Allowance, Carer's Allowance and Working Family Payment, are funded through the Social Protection Vote rather than the Social Insurance Fund.

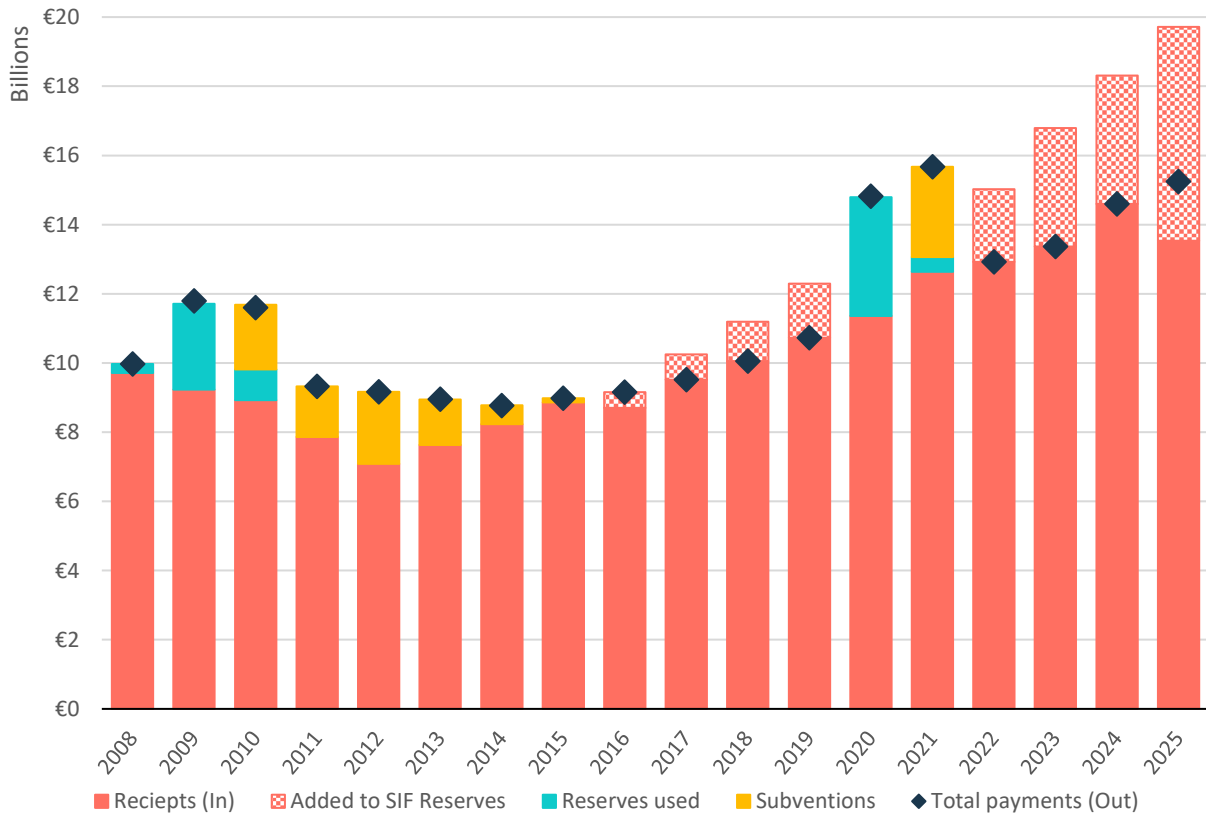
6. How has the fund performed over time?

Understanding how the Social Insurance Fund finances its expenditure provides useful context for assessing its long-term financial sustainability.

When the fund's income in a given year is not enough to cover its expenses, the shortfall is first funded by **reserves** built up during previous years when the fund ran a surplus. Where the reserves are insufficient a payment from the Exchequer called a '**subvention**' is relied upon.

Figure 4 shows how the fund financed its liabilities each year, highlighting periods when the Fund relied on reserves or Exchequer support to cover shortfalls as well as highlighting years in which excess income was added to the SIF's reserves.

Figure 4: How the SIF pays its bills



Source: Social Insurance Fund Financial Statements 2008-2025.
Note: PRSI income and investment income have been recognised on an accrual basis under CGAS for the first time in 2025, hence the extra portion added to reserves for that year.[11]
2025 saw an increase in accrued PRSI contributions, hence the extra portion added to the reserves.

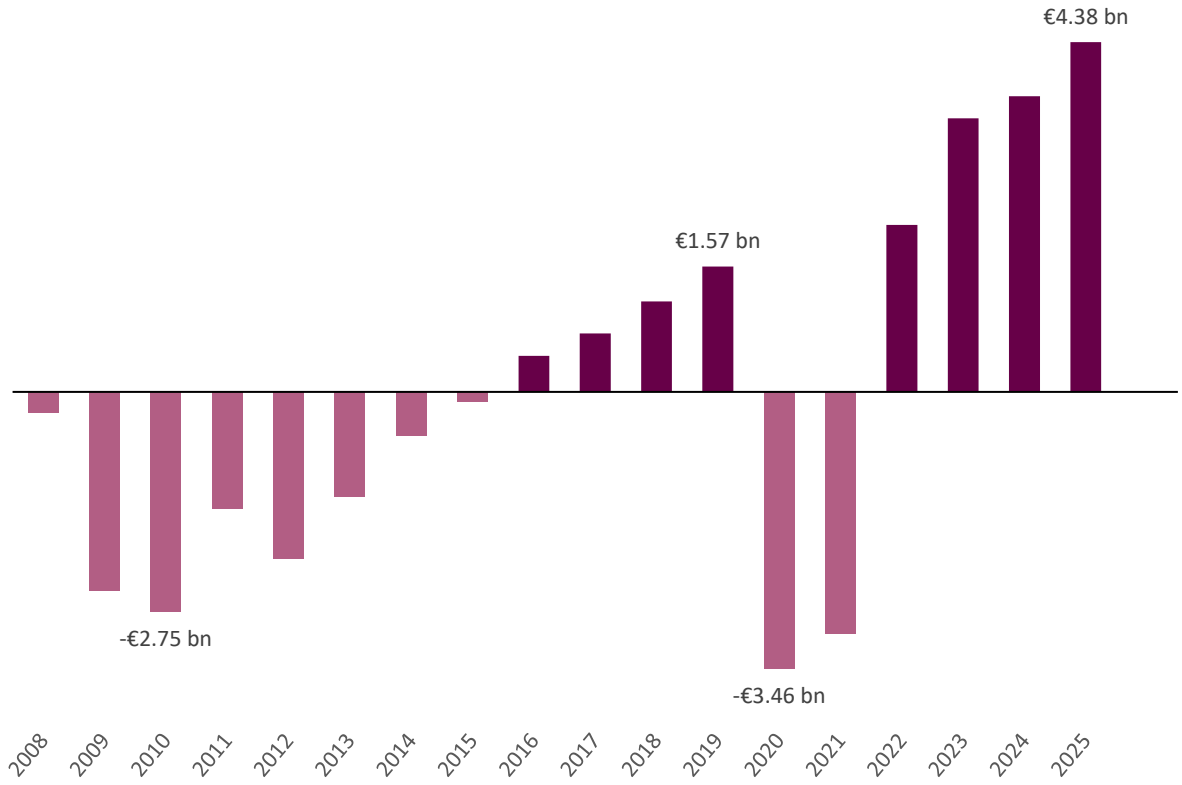
[11] Comptroller and Auditor General (CnAG) Social Insurance Fund: Financial Statements 2025, 2026.

6.1. Surplus & Deficit

The SIF recorded its largest deficit ever in 2010 during the financial crash, with payments exceeding receipts by over €2.75 billion. The SIF then ran deficits for a further five consecutive years (2011–2015). In 2016, it returned to surplus, with receipts exceeding payments for the first time since 2008 and remained in surplus through 2019 before temporarily reverting to deficit again in 2020–2021 due to the impact of the COVID-19 pandemic.

Figure 5 shows the annual surplus or deficit of the SIF over the last two decades.

Figure 5: Annual Surplus or Deficit



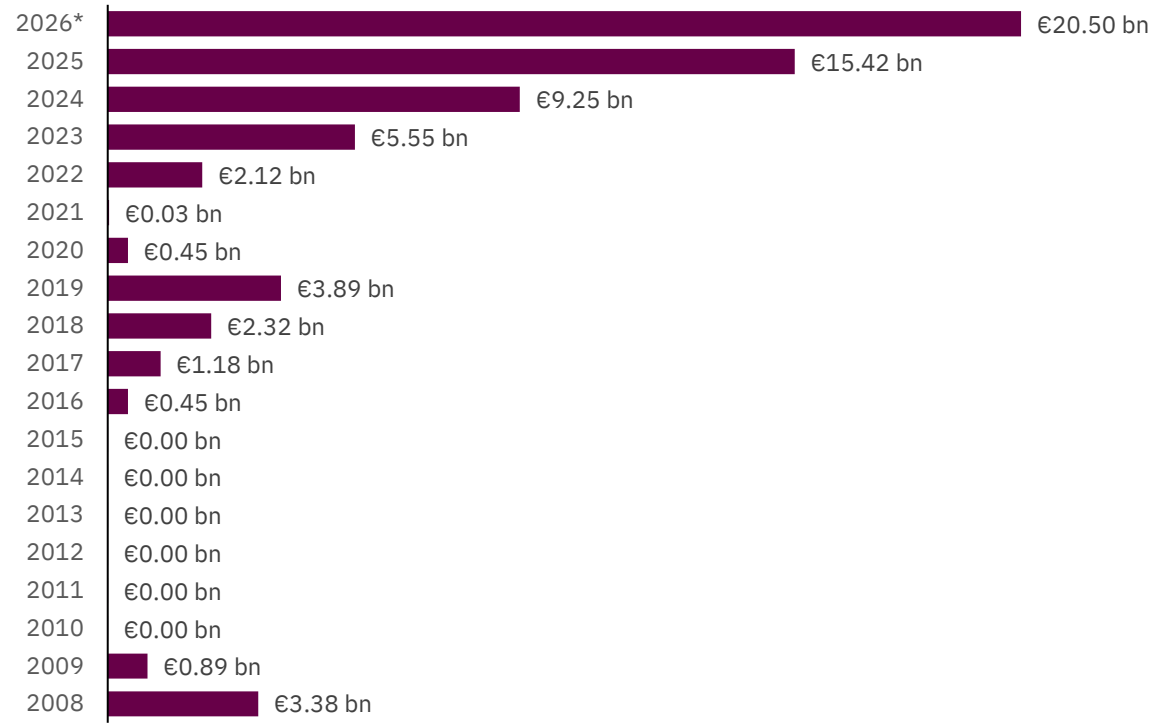
Source: Social Insurance Fund Financial Statements 2008-2025.

As shown in Figure 5, the Social Insurance Fund's annual financial position has strengthened considerably since the pandemic-related deficits of 2020 and 2021. Following a return to surplus in 2022, the Fund recorded increasingly strong surpluses, reaching almost €3.7 billion in 2024.

6.2. Reserves

While annual surpluses and deficits provide an important indication of the Fund's year-to-year performance, they do not fully capture its overall financial strength. The cumulative effect of these annual balances is reflected in the level of reserves held by the Fund. Figure 6 therefore examines the SIF's total reserves over time, illustrating how periods of sustained surpluses and deficits have influenced the Fund's financial buffer and long-term resilience.

Figure 6: Cumulative Total Reserves



Source: PBO based on Social Insurance Fund Financial Statements and Revised Estimates for Public Services 2026 (December 2025).

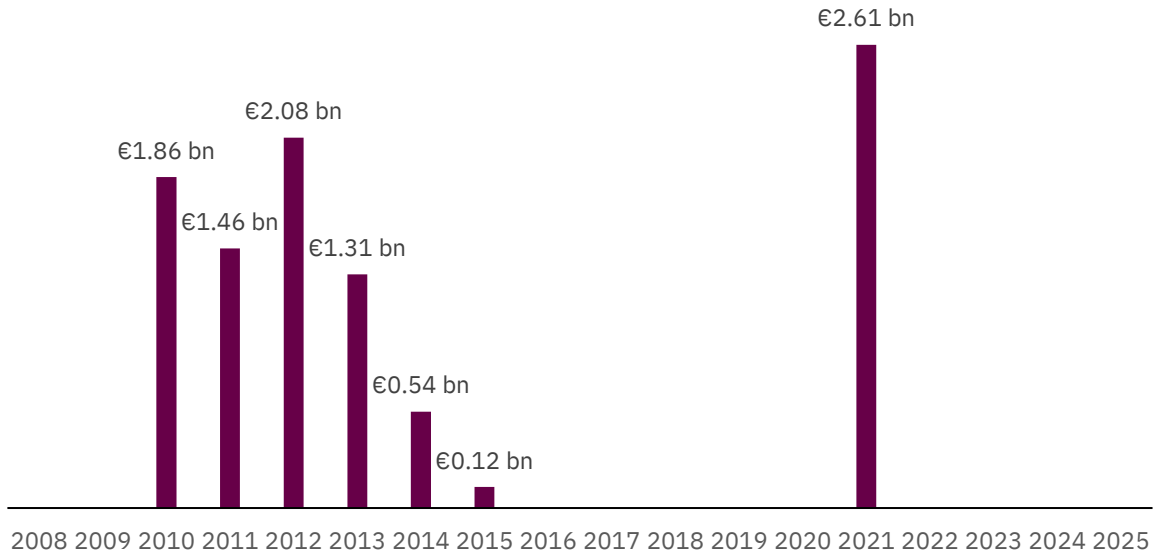
The SIF's reserves fell sharply from approximately €3.9 billion in 2019 to €28 million in 2021 following the onset of the COVID-19 pandemic in 2020, reflecting increased expenditure and reduced PRSI income. Strong labour market performance and rising PRSI receipts subsequently enabled the fund to rebuild its reserves, which reached approximately €9.3 billion by the end of 2024, restoring a significant financial buffer for future liabilities. In the six years with no reserves (2010-2015 and 2021) the fund required a top-up payment, funded by the exchequer, called a subvention.

6.3. Subventions

Where the SIF's income is insufficient to meet its liabilities, it will first use any accumulated reserves to ensure continuity of payments; however, once the reserves are exhausted, subventions from the Exchequer are required to address the shortfalls. A subvention is a top-up payment from the Government that is given to the SIF when its own income isn't enough to cover benefit payments.[12] Subventions are not repayable and are an additional Voted allocation to the Social Protection Vote which is then transferred to the SIF.

Subventions were required in response to the economic and financial crisis in 2008, and again as the COVID-19 pandemic resulted in a sudden significant decline in PRSI receipts alongside the extra payment of benefits to those unable to work because of public health measures. Subventions may be added as a supplementary estimate for sudden shocks (e.g. COVID-19 in 2021), or may form part of the annual allocation if persistent funding gaps emerge (e.g. 2012 during the financial crisis).

Figure 7: Subventions



Source: Social Insurance Fund Financial Statements (various) and Accounts of the Social Insurance Fund (various).

[12] Dáil Éireann Debate, Social Insurance Fund, January 2021.

7. Who Runs the Fund?

The **Department of Social Protection's (DSP)** staff deliver all schemes (both Social Assistance and Social Insurance). For Social Insurance schemes (funded by the SIF), DSP recoups its administration costs from the SIF. This recoupment is recorded on DSP's Vote (Vote 37) as an Appropriation-in-Aid (A-in-A), i.e., a reimbursement from the SIF back to DSP's Vote.[13] The legal basis to charge such costs to the SIF is set out in section 5(2) of the Social Welfare Consolidation Act 2005.[14]

7.1. How SIF Administration Works

The administration costs of the SIF fall into two categories:

A. Costs DSP recoups from the SIF (A-in-A to Vote 37)

Typical items:

- Staff salaries,
- Travel,
- Medical certification,
- Post/telecoms,
- Accommodation/equipment/IT,
- Consultancy, and
- Other running costs linked to administering contributory schemes.

In addition to these recouped costs, the SIF also meets a range of direct administration charges paid to other public bodies that support its operation.

B. Costs the SIF pays directly to other bodies

Examples:

- Revenue (collects PRSI),
- An Post (payment delivery),

[13] PBO, Social Insurance Fund Administration, 2024.
[14] PBO, Appropriations-in-Aid in the Revised Estimates for Public Services, 2018.

- DPER Superannuation (staff pensions), and
- Bank charges.

7.2. What does administration cost?

The Social Insurance Fund Financial Statements 2025 (2026) describes SIF Administration Expenses under two distinct categories. As the most recent data for these relates to 2025 and these are set out separately in Table 3 and Table 4 below.

Table 3: Payment of SIF administration charges apportioned per Vote 37 services mix

Headings	2025
Staff Costs – Salaries	€104,395,000
Staff Costs – Travelling	€962,000
Postage and Telecommunications	€4,862,000
Accommodation/Equipment/Supplies	€38,122,000
External Consultancy	€416,000
Medical certification	€41,302,000
Other	€8,452,000
Total	**€198,511,000**

Source: Social Insurance Fund Financial Statements 2025.

Table 4: SIF administration charges incurred directly

Heading	2025
Agency Costs - An Post	€20,326,000
Agency Costs – Revenue Commissioners	€37,437,000
Staff Costs- Superannuation	€32,435,000
Agency Costs – OPW Accommodation/Equipment/Supplies	€4,958,000
Audit Fees	€181,000
Agency Costs – Dept. of Enterprise Trade and Employment	€319,000
Bank Charges	€2,954,000
Total	**€98,610,000**

Source: Social Insurance Fund Financial Statements 2025.

In 2025, total administration costs reached almost €297.1 million for the Social Insurance Fund, with €198.5 million (67%) of this being payable to the Vote for the costs of administering SIF schemes.

Table 3 highlights that administration costs for Social Insurance schemes is highly concentrated by Staff costs – salaries, costing €104.4 million and accounting for over half (52.6%) of recouped costs.

Table 4 highlights other administration costs associated with the SIF; however, these costs are not recouped by the Department of Social Protection. Some are, however, recouped as Appropriations-in-Aid by other Votes, such as Vote 9 Revenue Commissioners.

7.3. How Transparent Are Administration Costs?

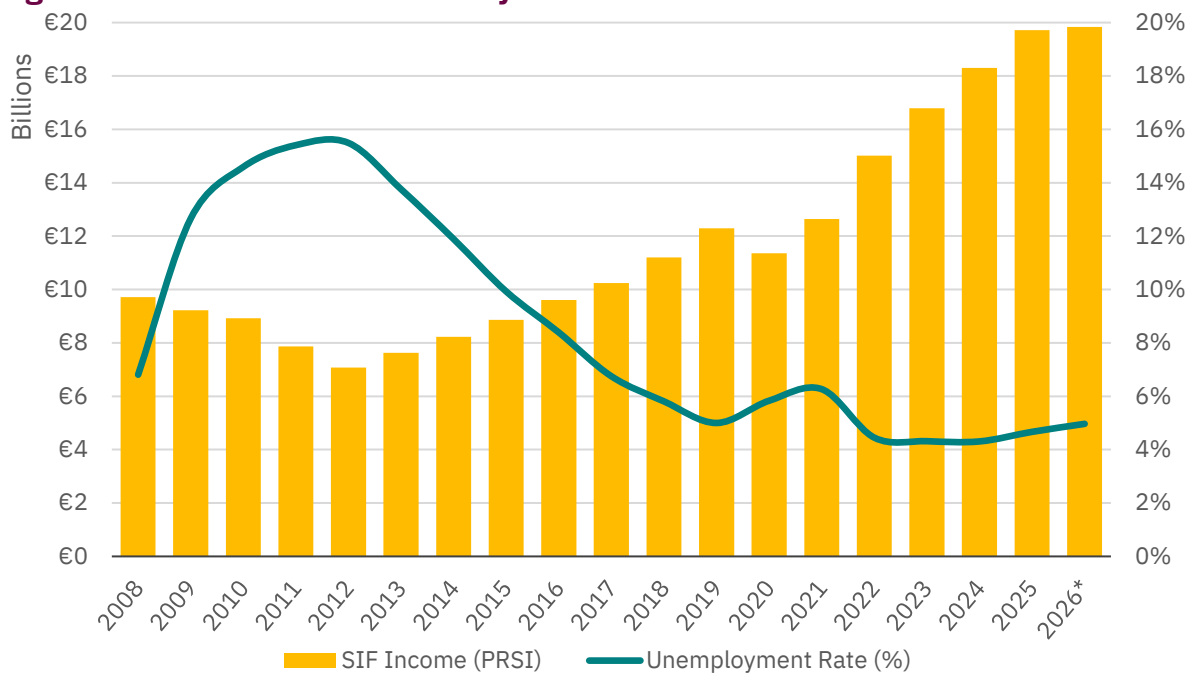
While the Department of Social Protection charges the SIF for the administration of contributory schemes, there is limited publicly available information on how these costs are calculated and apportioned. This makes it difficult for stakeholders to assess whether the charges accurately reflect the resources required to administer SIF-funded programmes.[15] It also makes it difficult to see where efficiencies might be made.

[15] PBO, Social Insurance Fund Administration, 2024.

8. Challenges & Long-Term Sustainability

The SIF can be characterised as increasingly vulnerable over the long term, reflecting pressures that are structural as well as cyclical. The SIF faces several risks, most notably the significant demographic challenge posed by an ageing population. In addition to demographic pressures, the SIF is sensitive to economic shocks, such as downturns or periods of reduced employment which can reduce contribution income and increase demand for payments. General external risks like global economic instability and unexpected public health crises can also alter the SIFs balance between income and spending. The SIF can also be impacted by Government decisions such as the rolling decision to pay a 'Christmas Bonus'.[16]

Figure 8: SIF Income Vulnerability



Source: PBO based on CSO and Social Insurance Fund: Financial Statements 2009-2025.

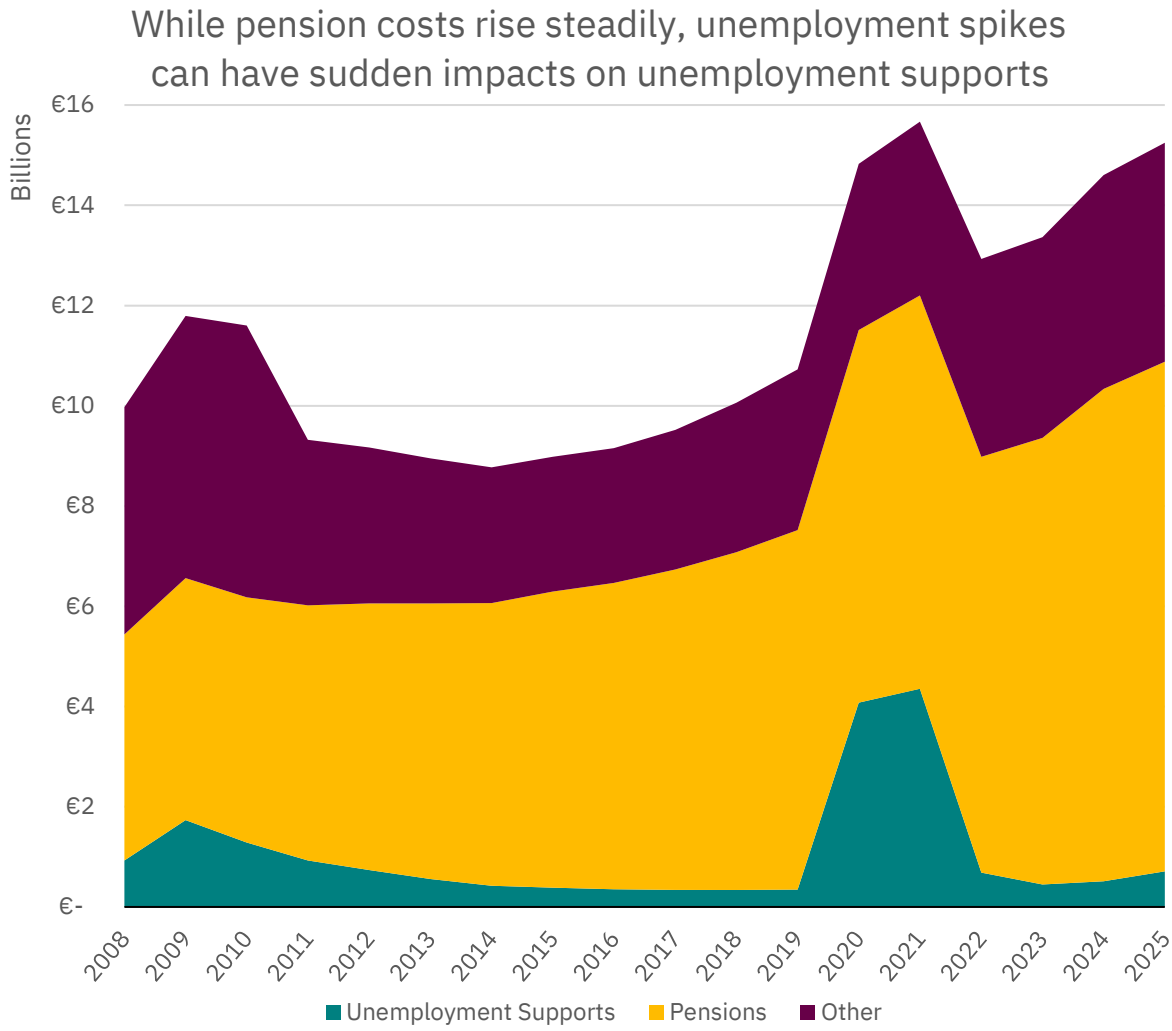
Figure 8 demonstrates the sensitivity of SIF income to changes in the labour market. The sharp rise in unemployment during the financial crisis coincided with a fall in PRSI income, while the subsequent improvement in employment conditions contributed to sustained growth in receipts, aside from the temporary disruption caused by the COVID-19 pandemic in 2020 and 2021.

[16] Irish Fiscal Advisory Council, Fiscal Assessment Report: December 2023 (2023).

8.1. How did COVID-19 affect the fund?

The SIF's income and spending can fluctuate significantly. When employment levels fall, the fund faces both reduced contributions and higher demand for payments. This was clearly demonstrated during the pandemic, when expenditure exceeded income by such a large margin that the SIF's accumulated reserves, that had built up over several years, were fully depleted in 2020 alone. As a result, only €28 million was left in the fund, leaving virtually no buffer going into 2021 (Figure 6). The SIF recorded a record level of spending in 2021 where total payments were almost €15.7 billion.

Figure 9: SIF Spending



Source: PBO based on Social Insurance Fund: Financial Statements 2009-2025.

8.2. What Does an Ageing Population Mean for the Fund?

Increased life expectancy and an ageing population significantly increase the number of people qualifying for the State Pension. The Fund is projected to face significant long-term sustainability challenges, driven primarily by demographic ageing and an increasing Old Age Dependency Ratio.

An Actuarial Review of the SIF must be conducted every five years, with the most recent being published in March 2023.[17] The Actuarial Reviews consistently highlight that the Fund faces significant long-term sustainability issues. While the Fund is expected to record annual surpluses until the mid-2030s, resulting in an accumulated surplus of over €21 billion by 2035 it is projected to move into a small annual deficit thereafter, with these deficits growing substantially over time.[18]

Figure 10 and Figure 11 (below) show the evolution, in scale and composition, of SIF spending over two decades. While total spending has risen substantially, more noticeably, pension spending has grown more significant as a proportion of total SIF spending over the period shown.

Compared to 2007, SIF spending in 2027 is projected to be ~82% greater (+€7.2 billion). Within this, pension spending has risen by more than 186% (+€7.6 billion). SIF spending is increasingly large, and weighted towards pensions, at a time when Ireland's population remains relatively young in a European context.

[17] Department of Social Protection, Actuarial Review of the Social Insurance Fund as at 31 December 2020, March 2023.
[18] Dáil Éireann Debate, State Pensions – Thursday, 18 Sep 2025.

Figure 10: Two Decades of SIF Spending

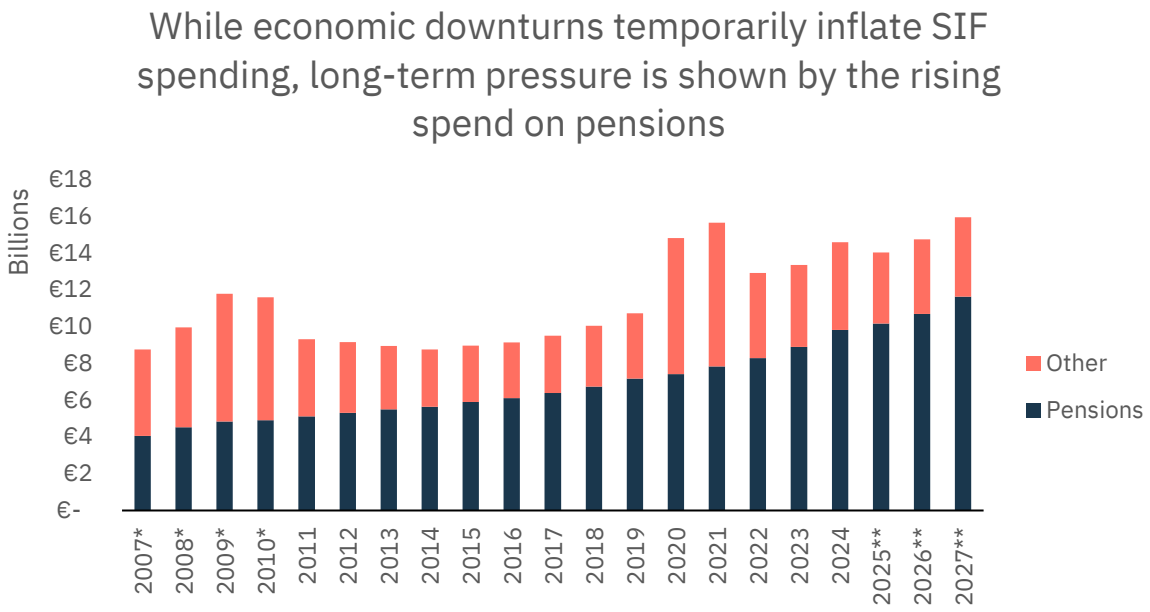
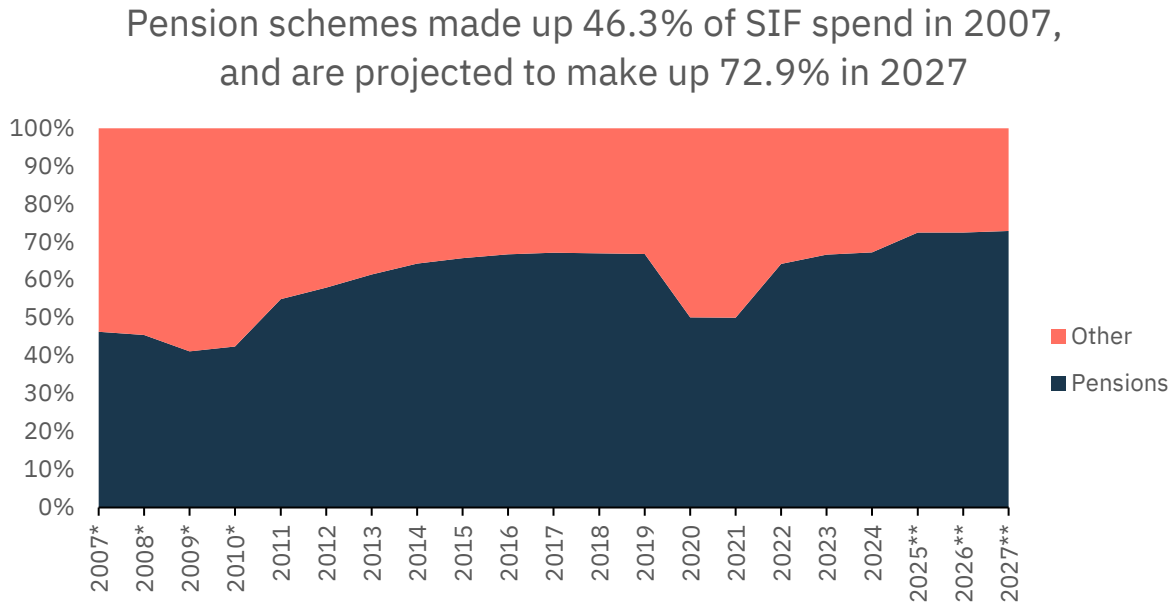


Figure 11: Evolution of SIF Spending



Source: PBO based on Accounts of the Social Insurance Fund (2008 to 2016), SIF Financial Statements (2018 to 2024), Revised Estimates for Public Services 2026 (December 2025), Expenditure Report 2027 (October 2026).
Note: * Pensions calculated based on 2012 categorisation of pension schemes. Pre-2012 schemes were not categorised into functional areas. This categorisation includes State Pension (Contributory and Transition), Widow's, and Widow's Death Benefit (Death Benefit is a subset of Occupational Schemes in 2010), and the Bereavement Grant.
** Figures are provisional and subject to change.

8.2.1. How is the State Ageing?

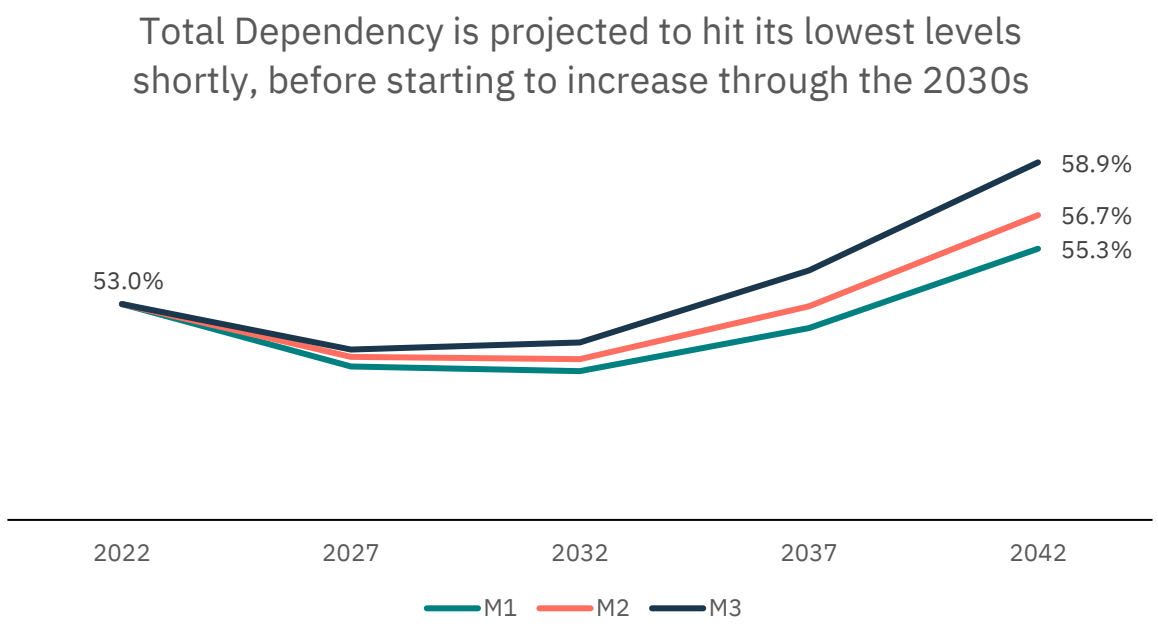
Figure 10 and Figure 11 have shown how spending on pensions has increased both in nominal (€) and proportionate terms over the past two decades. While some of the increased spending is a result of increased rates of payment, increasingly it will be driven by the ageing of Ireland's population.

The liabilities of the SIF are particular impacted by the Older dependency ratio. This is population aged 65 years and over expressed as a percentage of the population aged 15 - 64 years. The higher this proportion, the greater the pressure on current workers to fund pension payments under the Pay as you go (PAYG) model.

Overall spending by the State is also influenced by the Young Dependency ratio. The lower the proportion of people aged 14 or less, to those aged 15 – 64, in theory means that the State will spend proportionately less on some areas such as education.

Total Dependency is the population either 14 years of age or younger, or 65 years of age or older, as a percentage of the population aged 15 – 64 years. Figure 12 shows how total dependency is projected to increase in the coming years.

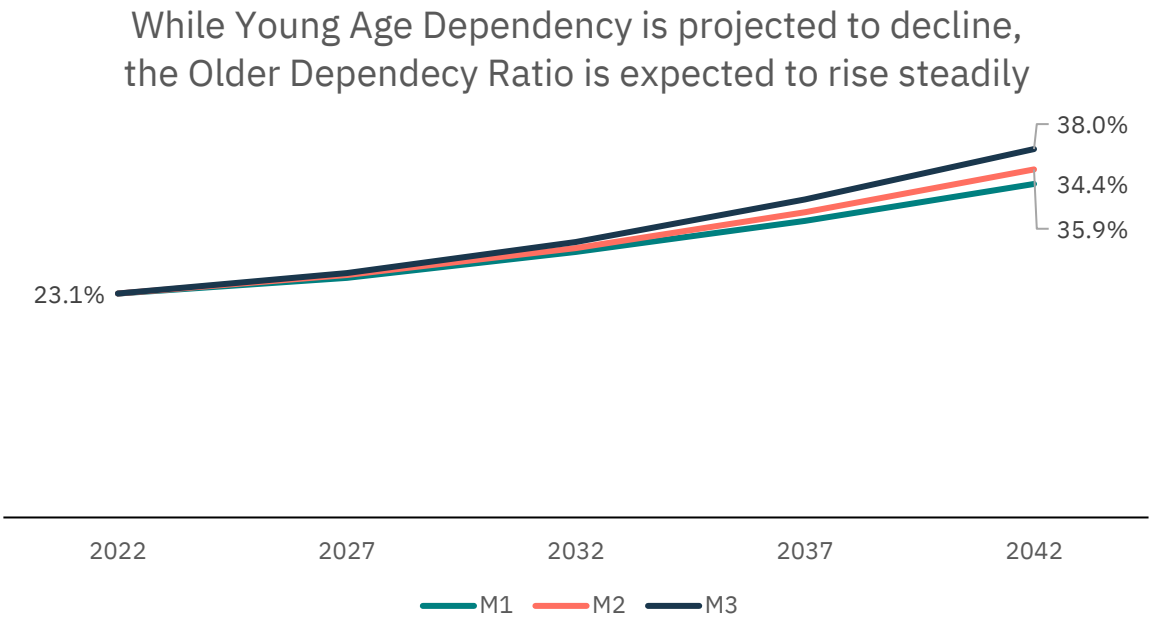
Figure 12: Total Dependency (2022-2042)



Source: PBO based on CSO, PEC28: Projected Dependency Ratios (2025).

Figure 13 shows that significant increases to the Older Dependency ratio are a feature of all three of the CSO's projections. Likewise, the projections show very similar levels of decline in Young Dependency, from around 30% in 2022, to ~21% by 2042.

Figure 13: Older Dependency (2022-2042)



Source: PBO based on CSO, PEC28: Projected Dependency Ratios (2025).

While these dependency ratios are a relatively crude measure – likely understating dependency of younger persons and slightly overstating that of older persons, they point to an ageing population, with likely significant implications for the levels of pension spending.[19]

[19] See for example European Commission, Old Age does not start at 65 (2024).

8.3. How can Government Policy affect the Fund?

Policy decisions also play a significant role in shaping the long-term trajectory of the SIF. Changes to PRSI contribution rates or thresholds, decisions regarding eligibility rules, or reforms to payment levels can materially affect the Fund's balance. For example, expanding access to certain benefits or enhancing payment rates increases expenditure, while measures that broaden the PRSI base or raise contribution rates strengthen revenue.

Another example of the implication of government policy decisions on the fund is the choice not to increase the retirement age in Ireland. As the population ages and the ratio of workers to pensioners narrows, the fund will come under additional pressure to fund pensions in its current 'pay as you go' model.

Two of the packages the Pension Commission put forward included increases to the State pension age.[20] A report by the Irish Fiscal Advisory Council showed that 'increasing the State Pension age would half the required increase in the steady-state PRSI rate.'[21]

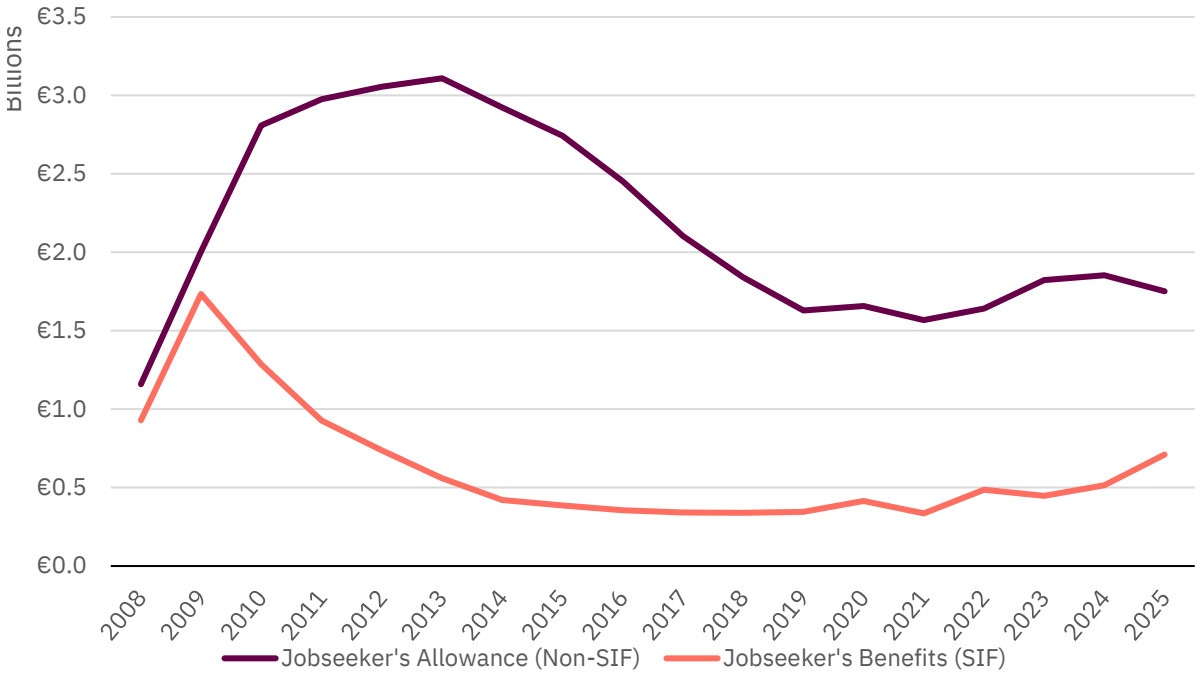
However, rather than increasing the State pension age, the Government opted for a package of alternative reforms. These included moving away from the yearly average method of calculating PRSI contributions to a total contributions approach, to be implemented gradually over ten years.[22] The reforms also allow workers to defer claiming their pension up to age 70, in exchange for a higher rate.[23] These reforms may help improve the sustainability of the pension system, but they are unlikely to reduce long-term pressures on the Social Insurance Fund to the same degree as raising the State pension age.

[20] The Pensions Commission, Report of the Commission on Pensions, 2022.
[21] IFAC, Saving for Ireland's Future, March 2023.
[22] Dept. of Social Protection, Changes to the State Pension (Contributory) in Ireland, 2024.
[23] Ibid.

8.4. How Vulnerable Is the Fund to Economic Shocks?

The SIF is highly sensitive to the broader economic cycle (as seen in Figure 4, Figure 5, Figure 6, and Figure 7). Periods of strong employment growth support higher PRSI contribution income, while economic downturns place simultaneous pressure on both the revenue and expenditure sides of the Fund. During recessions, rising unemployment reduces the number of contributors and increases the volume of claims for short-term schemes such as Jobseeker's Benefit. These dual effects can significantly widen the gap between income and spending.

Figure 14: Jobseekers Allowance v Benefit



Source: PBO based on Social Insurance Fund: Financial Statements 2009-2025 and Annual Statistics Reports 2008-2025.

Jobseekers' Benefit is paid for 9 months (234 days) or 6 months (156 days), depending on how many social insurance (PRSI) contributions a person has paid.[24] Once entitlement for Jobseekers' Benefit is expired, a person can apply for the means-tested Jobseekers' Allowance, which is not paid from the SIF. Figure 14 shows the relationship between the two schemes.

[24] Citizen's Information, Jobseeker's Benefit, 2026.

During the Global Financial Crisis, long-term unemployment resulted in a short-term increase in Jobseekers' Benefit recipients, who then transitioned to Jobseekers' Allowance once their eligibility expired. During COVID-19, shorter-term unemployment did not appear to have the same impact on Jobseekers' Allowance recipient numbers.

As of the 1st of October 2025, **employees** that earn over €352 weekly pay 4.2% PRSI on all earnings. As of 1st January 2026, **employers** pay 11.25% in Class A PRSI on weekly earnings above €552.[25] High-salary sectors are therefore major contributors to the Social Insurance Fund, as are industries with large workforces, including retail, hospitality, and health and social care services. Because these sectors account for such a high share of PRSI contributors, sector-specific downturns can have a significant impact on SIF revenues.[26]

[25] Citizen's Information, Paying social insurance (PRSI), 2026.
[26] CSO, CPLJS20: Proportion of all persons in employment (Accessed July 2026).

9. Conclusion

The SIF sits outside Voted spending, but forms part of Government Expenditure,[27] and is presented alongside the Social Protection Vote in budgetary documents. While not Voted upon within the Budgetary process, the SIF's liquidity is of great significance to the budgetary position each year.

As the SIF's income exceeds its liabilities, it accrues a surplus that acts as a buffer, preventing an immediate impact on the Exchequer when the SIF's income is insufficient to meet its liabilities.

The PBO has repeatedly highlighted that this buffer, while often an accumulation of several billion euros, is quickly eroded in the event of circumstances that result in elevated levels of unemployment.

In these cases, the Exchequer makes good the difference, through subventions, which are Voted. This means that when the SIF exhausts its reserves, there is a direct Exchequer impact, heaping further pressure on Government when allocating scarce resources.

The PBO has also illustrated the long-term trends in both the amount being spent on social benefits, as well as the rising pressure from increased spending on pensions.

These conditions point to the substantial risk of a 'perfect storm'. This being:

- The ongoing ageing of the population, resulting in relatively fewer workers compared to the cohort dependent on pension payments from the SIF;
- An economic downturn further reducing the number of contributors to this Pay-As-You-Go social insurance system;
- A consequent increase in spending on Social Insurance schemes for unemployed persons; and
- Likely downward pressures on tax revenues.

[27] Ministers and Secretaries (Amendment) Act 2013.

In this scenario, the SIF's accumulated reserves would likely be eroded rapidly, requiring Voted funds to ensure that social benefits continue to be paid. This would necessitate difficult decisions being made in terms of resource allocation, especially given that such an economic downturn would likely have implications on tax revenues – particularly Income Taxes, but potentially also revenues from VAT, Corporation Tax etc.

The PBO is not alone in highlighting these risks.[28] Although a range of policy options is available to improve the fiscal sustainability of the SIF, each is likely to prove politically challenging. Several models, for example, have recommended increasing the age of eligibility for the State Pension.[29,30] The effectiveness of this approach is, however, open to debate, given the potential for savings in pension expenditure to be partly offset by increased expenditure elsewhere.[31]

Previously legislated increases in the State Pension age have since been rejected, with the pension age instead being retained at 66.[32,33] Other measures, including increases in PRSI contribution rates, have been introduced,[34] but are unlikely to be sufficient to ensure the longer-term sustainability of the SIF.[35]

The SIF is an important component of the State's finances. It is also of direct and significant importance to those who contribute, or have contributed, to it. The long-term sustainability of the SIF requires constant evaluation and consideration of how best to fund it. Despite its apparent strength, the historical analysis of the SIF shows how rapidly surpluses turn to deficits, and substantial reserves are eroded.

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[28] Karina Doorley And Dora Tuda (ESRI), Increasing Pay Related Social Insurance To Fund The State Pension: Incidence And Effectiveness (June 2024).
[29] Department of Finance, Population Ageing and The Public Finances in Ireland– Fiscal Costs (June 2024).
[30] OECD, OECD Economic Surveys: Ireland 2025, 2025(3) (February 2025) p.39.
[31] Dora Tuda, Karina Doorley & Simona Sándorová (ESRI), The unintended consequences of a pension age increase. Evidence from Ireland (January 2026).
[32] Social Welfare and Pensions Act 2011.
[33] Department of Social Protection, Minister Humphreys announces landmark reform of State Pension System in Ireland (2022).
[34] Social Welfare (Miscellaneous Provisions) Act 2024.
[35] Karina Doorley And Dora Tuda (ESRI), Increasing Pay Related Social Insurance To Fund The State Pension: Incidence And Effectiveness (June 2024).

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