UNIVERSIDAD DE GRANADA

Departamento de
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Económica

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Título
: Optimal Retirement with Disability Pensions

Sala: E28

Hora: 12:30

Abstract: This paper develops a general equilibrium life-cycle model with endogenous retirement and disability risk, which captures the interaction between disability pensions (DP) and old-age pensions (OAP) in Germany. At certain ages households may either apply for DP or for OAP depending on the eligibility rules and generosity of the two programs. Consequently, reforms which affect only one program typically have spill-over effects to the other program which dampens the intended impact of the reform. Our simulation results indicate that such effects are also quantitatively important in Germany where the OAP normal retirement age will rise up to age 67 until 2030 while at the same time the generosity of disability pensions will dramatically increase. We show that the reform of the DP rules may offset the financial gains from the increase in the normal retirement age if current eligibility rules would prevail.

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