

Indicators of old age pension benefits in Latin America and the Caribbean

Pension systems in Latin America and the Caribbean (LAC) have important challenges. In spite of three decades of pension reform, coverage remains non-universal in many countries; this may lead some elderly people to be at risk of living in poverty. In addition, budget pressures are pushing governments in non-reformed LAC countries to consider different options to have financially sustainable systems. In contrast to other regions, a comparative study of pension systems has not been carried out in LAC. This paper is aimed at comparing pension system indicators in LAC countries in terms of: i) their relative pension values by examining pension entitlements as a proportion of individual salaries; and ii) their generosity by looking at the average pension wealth. For comparability purposes, our calculations are based on the methodology that is currently being used by the OECD (see *Pensions at a Glance* 2005, 2007, 2009) to monitor pension systems. Results show that replacement rates of women are lower than those for men; average gross replacement rates across LAC countries is 49%; average pension wealth is 8.4 times the last annual salary. Countries with defined contribution (DC) and mixed regimes have higher average replacement rates (57.2 and 57.7 respectively) than countries with defined benefit (DB) regimes. Net replacement rates are on average 11% higher than gross rates.