

# The unavoidable role of private pensions in retirement income systems<sup>2</sup>

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## Overview

This work describes the growing need that governments face to reform their pension systems into more financially sustainable structures, especially in light of the recent financial crisis and the rapidly ageing population. The study identifies two main types of structural reforms: those that automatically link the public pension system's parameters to the demography or actuaries, and those that lead to a partial replacement of the PAYG-financed public pension systems by private pension arrangements and the transfer of a part of social security contributions to fully-funded, DC accounts. While both types of reform bring about long-term improvements in the financial balance of the public pension system, their design may have very different implications for the adequacy and equity of pension systems that policymakers need to address.

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1: OECD

2: This Working Paper has been taken from chapter 2 of the book Fuentes F., Herrero G. y Escrivá JL. (2010) (eds) "Pension reforms in Latin America Balance and challenges ahead". BBVA Research, Madrid 2010.