

# Public Pension Systems and the Fiscal Crisis in the Euro Zone

## Lessons for Latin America<sup>1</sup>

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### Abstract

The debt crisis in the Economic and Monetary Union has revealed the need in many member countries to engage in an unprecedented fiscal consolidation process, not only in the short term, but also in the long term. Therefore, the urgent need to accelerate in many cases the reforms of their pension systems with a view to ensuring the sustainability of their public finance over time has been revived. This paper analyzes the circumstances that led to the reforms of the pension systems in Europe and the measures adopted, with a view to extracting some lessons that may be of use for Latin American countries. With this objective, reforms undertaken in Latin America are also described, specifically in Colombia and Peru, which are two cases where the capitalization and distribution systems continue to compete simultaneously. This paper also quantifies and compares the actuarial balance of these countries, which is related to their financial sustainability in the long term.

Keywords: Pensions, fiscal deficit, actuarial debt, Europe, Latin America

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