

Lessons from Pension Reform in the Americas

EDITED BY

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Chapter 1

Overview: Lessons from Pension Reform in the Americas

Stephen J. Kay and Tapen Sinha

Well over a century ago, Chancellor Otto Von Bismarck introduced a state-sponsored pay-as-you-go (PAYGO) pension system in Germany with a single purpose: to reduce poverty among the aged. This primary goal is true today, even as policymakers struggle to address changing demographics and aging populations amid much disagreement regarding the best path for reform. This situation holds especially true in the Americas, which, since Chile's pension reform, have become a global laboratory for pension reform.

In 1981 Chile took the unprecedented step of switching from a PAYGO to a substitutive prefunded pension system. It continued to pay benefits promised under the old system by issuing recognition bonds and running budget surpluses during the initial years to finance these bonds. In 1994 Argentina and Colombia followed suit. With the publication of the landmark study *Averting the Old-Age Crisis* that same year, individual prefunded accounts were now officially encouraged by the World Bank and other leading international organizations (WB 1994). Since then, the World Bank has helped more than eighty countries make changes in their pension systems (Holzmann and Hinz 2005). Of these, about a dozen countries in Latin America have passed laws introducing mandatory saving, while a similar number in Europe and central Asia—mainly in the post-Soviet 'transition economies'—have also made legal provisions for individual accounts.

Beginning in 2004, a fundamental shift in thinking became evident in the process of pension reform in international organizations such as the World Bank and the International Monetary Fund, as well as in countries such as Chile that have undertaken reform. The first element of such a shift became evident with the watershed publications of *Keeping the Promise of Social Security in Latin America* (Gill, Packard, and Yermo 2005) and the 2006 World Bank Independent Evaluation Group (IEG) report, which explicitly states, 'The Bank should pay greater attention to parametric reforms and to exploring options to expand the safety net for those not covered by

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the pension system' (p. xii). Holzmann and Hinz (2005) maintain that the motivation for the Bank to support pension reform did not change from 1994 to 2004, but rather was strengthened by the experiences of that decade: most pension systems in the world do not deliver on their social objectives, create significant distortions in the operation of market economies, and are not financially sustainable when faced with an aging population.

This evolution in thinking is most evident in Chile. In the introduction of a report by her pension reform commission (called the 'Marcel Commission', after its chairman, Mario Marcel), Chilean President Michelle Bachelet notes that the pension system faces numerous challenges:

The system has low coverage, low density of contributions, it leaves almost ninety-five percent of the independent workers outside the system, it shows very little competition and high commission charges, it does not take into account the complexities of modern workplace, high turnover, high level of informality... and discriminates against women... among other shortcomings (Consejo 2006: 5-6). [authors' translation]

The Marcel Commission report, which was the basis of reform legislation introduced in December 2006, addresses the particular challenges that developing countries face with respect to their sizable informal sectors, which in many countries comprise over half of the economically active population. It argues that instead of expecting a reform to formalize the informal sector workers, pension reform should serve all workers, both informal and formal, and proposes a universal solidarity pension aimed at alleviating poverty (Consejo 2006: 47). Because Chile's reform has influenced so many other governments in the region, measures that address these policy challenges will be watched closely throughout Latin America and beyond.

In other words, after more than a decade, the dominant policy prescriptions in vogue in the 1990s are being re-evaluated. With the euphoria of the initial phase of pension reform clearly over and with a decade or more of experience to review, policymakers and scholars now have access to important new evidence to analyze the efficiency and equity of switching to individual accounts.

This volume is among the first to assess these reforms in this new 'post-privatization' era. Three influential policymakers either now or previously connected to the World Bank reflect on pension policies since the landmark publication of the World Bank's 1994 report *Averting the Old Age Crisis* (WB 1994), of which Estelle James, one of the panelists, is a primary author. James argues that we now have a clearer grasp of some of the implementation problems inherent in multipillar systems and outlines potential solutions. Truman Packard, an author of the 2005 book *Keeping the Promise of Social Security in Latin-America* (Gill, Packard, and Yermo 2005),

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which assessed reform since the publication of *Averting the Old-Age Crisis* and generated considerable debate, stresses that the book's most distinguishing and overlooked feature is its application of a microeconomic framework of insurance and savings and its focus on the primary policy objectives of old-age income security: ensuring efficient consumption smoothing and preventing poverty in old age. Robert Holzmann notes that the extensive experience in implementing pension reforms in a range of settings since the early 1990s has motivated a review and refining of the framework with respect to appropriate objectives and path of reform efforts, and he describes the World Bank's current approach.

The perspectives of these three authors provide insight into the evolution of pension policies at the World Bank since the mid-1990s. *Averting the Old-Age Crisis* suggested a three-pillar system: the first pillar would be a PAYGO component, the second a prefunded scheme, and the third a voluntary saving component. Today, by contrast, the World Bank espouses a *five*-pillar format. The additional pillars are the 'zero pillar', which is a noncontributory and universal pillar, and a pillar that includes not just direct monetary benefits for retirement consumption but also nonmonetary benefits such as access to housing and health care in retirement.

This volume also offers a chapter on Chile that focuses on the results of the first-ever micro-level longitudinal study of worker behavior linked with administrative records conducted in Latin America. The study links the results of the survey, which tested the accuracy of people's knowledge of their own retirement savings, to the actual pension records of each individual. This study, conducted in 2002 and 2004, and every two years thereafter as long as funding continues, addresses universal issues of worker behavior and financial literacy—a problem in developed countries (e.g. Lusardi and Mitchell 2007) and, *a fortiori*, for developing countries. This research will have wide impact on policymaking in Chile and other countries that have switched to prefunded individual accounts.

The chapter on Mexico's pension reform exemplifies how the country studies in this collection address key issues, including coverage, competition, costs, investment performance, and projected benefits. In particular, the chapter compares important counterfactuals about what would have been the costs had there been parametric reforms and compares them with the costs of the currently implemented change. It also discusses important results of the payout stage, concluding that most retirees in the formal sector under the new system will not have enough money to buy a pension equivalent to the minimum wage, which has been guaranteed by the government.

Also included in this collection are analyses of parametric changes in pension systems, as in Costa Rica, which reformed its system in 2005, and Brazil, where President Lula initiated a significant reform in 2003.

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Parametric changes have typically received short shrift, as discussion of individual accounts had dominated the policy agenda since the 1990s. Moreover, past publications have tended to focus on the big three reforms—Argentina, Mexico, and Chile—omitting smaller countries such as Uruguay and Peru as well as Costa Rica. The countries examined in this volume, including the USA and Canada, are more representative of the range of reforms in the hemisphere. The country studies also provide a thorough assessment of policy performance since reforms have taken place.

Part I: System Design and Policy Implications: Demographic Trends, Financial Education, Importance of Psychological Considerations, and Gender

Part I of this volume addresses issues of system design that have significant implications with respect to compliance, coverage, financial literacy, and gender issues. These are universal issues that all countries contemplating reform face.

In his foreword, Robert W. Fogel provides an overview of demographic development during the past three centuries, as life expectancy and per-capita growth of the GDP have increased dramatically. Due to the intense interplay between physiological improvement and technological advances, humans have increased their body size by more than 50 percent in the past two centuries, and the betterment of general sanitation, reduction of air pollution in the cities, and higher food intake have improved life expectancy. According to Fogel, demographers have consistently underestimated the impact of such improvements and, consequently, have underestimated gains in life expectancy. With more workers living longer and healthier lives, men in Western countries have four times more leisure than they did a century ago, and this trend will continue. Paradoxically, this achievement has devastating financial implications for already overburdened social security systems and calls for a careful re-examination of social security to ensure future sustainability.

A team of researchers led by David Bravo designed and implemented the Encuesta Previsión Social (EPS, or Social Protection Survey), a household survey designed to gather microeconomic data on the Chilean labor market and social insurance system (see www.microdatos.cl). The findings from the first two rounds of this longitudinal study are analyzed in the chapter that Bravo co-authored with Alberto Arenas de Mesa, Jere R. Behrman, Olivia S. Mitchell, and Petra E. Todd. The authors note that they found significant differences between individuals' self-reports and the administrative

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records of the individuals interviewed. Not all respondents could estimate the balances in their private savings accounts but those who could were quite accurate and, significantly, their balances were four times higher than those who could not. The results highlight considerable information gaps among the workers participating in the Chilean pension system. The authors stress that greater financial literacy is essential in enhancing the system. Furthermore, for the government to make useful budgetary projections, better data are necessary on who is in the system, who is contributing, and who is likely to try to obtain the minimum pension guarantee or social assistance.

In general, defined contribution (DC) savings plans require employees to make complex decisions, including how much to contribute and how to distribute their contribution among a variety of investment funds. In their chapter on default options, John Beshears, James J. Choi, David Laibson, and Brigitte C. Madrian provide evidence that refutes a standard notion from economic theory that posits that if transaction costs are small, default choices should not matter. They note that the psychology literature has documented the tendency of individuals to put off making decisions as the complexity of the task increases, a factor that would tend to lower participation in retirement savings plans. To assess the impact of defaults on retirement savings, the authors examine the impact on worker savings when workers are automatically enrolled by their employers and when they must actively opt in to a retirement savings plan.

Among their findings, the authors note that with automatic enrollment in retirement plans, participation rates are much higher than with opt-in enrollment. Furthermore, many individuals view the employer default savings option as an implicit endorsement of both the contribution rate and the distribution of funds. They find that default choices are *not* neutral; they play a role in every stage of the lifetime savings cycle, including savings plan participation, contributions, asset allocation, rollovers, and decumulation. They become even more crucial as pension fund plans in the Americas introduce more investment options for workers. Because they carry such significant consequences for retirement saving, default options merit close attention from policymakers.

The chapter by Kurt Weyland analyzes the decision-making process surrounding pension reform, arguing that decision-makers in Latin America did not systematically process information when they evaluated pension reform but rather used three principal shortcuts of bounded rationality documented by cognitive psychologists: *availability*, *representativeness*, and *anchoring*. With respect to availability, Chile's pension privatization captured the attention of decision-makers in Latin America in its boldness, obscuring other sources of relevant information such as the notional DC scheme developed in Europe. Representativeness induces people to base

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their judgments on logically irrelevant similarities, overestimating the significance of patterns that appear in small samples and mistaking short-term trends as proof of structural tendencies. Consequently, initially high returns may have led policymakers to attribute other Chilean outcomes (like the rise in domestic savings and investment) to the privatization. Finally, anchoring leads people to base their judgments on any given clue, even a logically arbitrary one. Even when they adjust their opinions with additional information and experience, they diverge from this accidental starting point much less than full rationality would require. Thus, according to Weyland, decision-makers in many Latin American countries may have followed the Chilean model more closely than they should have. In short, countries with limited domestic expertise, including Bolivia, El Salvador, and Peru, followed the Chilean model even though doing so may have not been reasonable given their particular circumstances.

Although gender issues are just now beginning to appear on policymakers' radar screens—as *The Economist* put it, 'Forget China, India and the internet: economic growth is driven by women' (*The Economist* 2006)—the role of gender in pensions is still not getting the attention it deserves. Chile's President Bachelet commented that the Chilean pension system to some extent 'discriminated against women' and, in its evaluative analysis, the Marcel Commission agreed. The commission notes that women receive annuity benefits equivalent to only 42 percent of what men receive due to a variety of factors, including women's differential participation in the labor market (with lower wages), the division of household and reproductive work, demographics, and such pension system regulations as the earlier retirement age and the fact that insurance companies are permitted to use differential mortality tables. The Marcel Commission's frank assessment of the impact of pension reform on women—and the accompanying set of policy prescriptions, including subsidized childcare and a measure that would pay women retiring at age 65 years a bonus for the birth of each child (see Consejo 2006)—represents the first of its kind in Latin America and is destined to receive considerable attention from other countries that have followed Chile's path.

The two chapters on gender and pension reform in this book are critical contributions to this important debate. In their chapter, Estelle James, Alejandra Cox Edwards, and Rebeca Wong present the results of their investigation into the effects on gender of the reformed pensions systems in Chile, Mexico, and Argentina. They note the arguments of reform critics, who say the tight link between payroll contributions and benefits in the DC pillar will produce lower pensions for women, and of supporters, who say that multipillar systems remove distortions favoring men and permit a more targeted public pillar that will help women. James, Edwards, and Wong set out to test these conflicting claims by asking the following questions:

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- What are the relative monthly and lifetime benefits and redistributions to men versus women under the new systems?
- What are the relative gains or losses of men versus women due to the shift from the old to the new systems?
- Which subgroups within each gender benefit or lose the most from the reform and redistributions under the new systems?
- What are the key policy choices that determine these gender outcomes?

These are important questions for the following reasons. First, the majority of senior citizens are women. Second, poverty among the old is most severe among women aged 85 years and older. Third, the system may reward or penalize formal labor market work. Finally, cash transfers compete with other uses for public funds.

For their analysis, the authors used household survey data available for these three countries to simulate employment histories. Although they find that women accumulate retirement funds and private annuities from the DC pillar of the multipillar systems that are only 30–40 percent of those of men, they suggest that this effect can be mitigated by introducing two critical elements into the new systems: (a) targeting the new public pillars toward low earners, because the majority of low earners are women, and (b) restricting payout provisions such as joint annuity requirements. With these modifications, total lifetime retirement benefits for women would reach 60–80 percent of those for men. For ‘full-career’ married women, they would equal or exceed benefits of men. The authors propose that low-earning women are the biggest gainers from the pension reform. For women who receive these transfers, female/male ratios of lifetime benefits in the new systems exceed those of the old systems. They also find that gender difference in lifetime benefits would fall substantially if women were to delay retirement until aged 65 years. Currently, the retirement age for women in Chile and Argentina is 60 years; in Mexico, 65 years.

Michelle Dion proposes some alternative interpretations to issues of gender inequality in her chapter. She notes that whether outcomes for women can be considered positive, negative, or neutral depends on whether publicly mandated pension systems are seen as insurance or redistribution. With these different perspectives come different criteria for evaluating gendered outcomes of pension privatization, which explains why assessments of gender effects differ. Her chapter begins with a brief overview of the sources of gender inequalities and discusses elements of pension policy that affect gender welfare. It then critiques the insurance-based criterion for evaluating the gender effects of pension reform that emphasizes lifetime benefits, actuarial fairness, or consumption outcomes. Dion offers an alternative set of criteria for evaluating gender outcomes based on three

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dimensions: women's ability to claim social citizenship rights, gender stratification, and the distribution of welfare responsibility among the market, the state, and the family. She concludes with a discussion of the ways in which pension privatization is likely to affect women's welfare in Latin America.

Part II: Country Studies

Part II of this volume comprises case studies. A common theme among these studies is that all pension systems face political risks because all schemes depend on effective governance. The political abuses in the old PAYGO systems, whereby pensions were often traded for political support, are well documented (e.g. Piñera 1991: 5). However, DC accounts also present political risks (see Barr 2002). 'Political risk' can be defined narrowly as the risk of ineffective governance with respect to pension funds, or more broadly as any government action (or inaction) that adversely affects the interests of pension fund account holders. For example, governments can fail to provide adequate supervision and regulation of funds, or they can initiate inflationary macroeconomic policies that erode the value of pension fund investments. More directly, governments can default on bonds that are a significant portion of pension fund investment portfolios, or they can seize pension fund assets in order to finance government spending. That pension funds remain subject to political risk and uncertainty should not come as much of a surprise, because the same governments that now regulate these funds have historically mismanaged their public PAYGO systems.

Political risk is ameliorated to the extent that governments act as the guarantors of the new private pension systems. If pension funds face a crisis, political pressure is likely to compel governments to provide some form of protection to pensioners or, as Nicholas Barr says, 'the larger the share of the population with private pensions and the greater the fraction of pension income deriving from private sources, the greater the pressure on government in the face of disaster' (2002: 20). The crisis in the Argentine system in 2001 exemplifies a worst-case scenario, when the government seized pension fund assets as a source of financing in a desperate (and ultimately unsuccessful) effort to stave off default and devaluation. In his chapter, Rafael Rofman suggests that the pension system in Argentina survived the worst of the crisis in relatively good condition and, although political risk is unavoidable, the extremes of the Argentine crisis have not been repeated elsewhere.

While the financial and actuarial conditions of the US and Canadian social security systems are not easily compared to the policy challenges

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of their Latin American neighbors, they still provide evidence of many universal lessons that pertain to pension reform, and are discussed in this part. These countries—indeed, countries throughout the hemisphere and beyond—confront the same issues of coverage, investment choice, fees, and transition costs.

Part II begins with reflections by John F. Cogan and Olivia S. Mitchell on the work of US President Bush's Commission on Social Security Reform. The commission endorsed a two-tiered approach, whereby a modified version of the traditional social security system would be augmented by prefunded private accounts intended to improve the program's overall transparency and equity. The commission's report was the culmination of a major initiative that, though it failed to gain political traction, constituted the most significant effort yet to reform the US Social Security System, and would have introduced private individual accounts.

For those familiar with the process of reform in Latin America, this account of the president's commission seems quite familiar. The commissioners were dealing with many of the same issues that policymakers in Latin America have been confronting since the 1990s. Like those in Latin America, the US policymakers were charged with keeping administrative costs low while still providing adequate service and suitable investment options. They had to take into account risk/reward tradeoffs and consider the long-term costs of instituting individual accounts. These issues of efficiency and equity remain vital in the region and throughout the world: from economic education to the institution of multiple funds, from gender equity to wage versus price indexing, the commission was treading the same path as that taken by policymakers in Latin America, suggesting that the challenges of social security reforms are in many ways universal.

In his chapter on Canada's 1997 pension reform, Robert Brown describes how a modest package of measures placed the system on a healthy foundation for at least the next seventy-five years. Canada stands in marked contrast to the other cases in that its reforms were parametric rather than structural, and they received widespread political support despite a steep rise in the contribution rates from 6 to 9.9 percent over a 6-year period. In addition, Canada's Pension Plan Investment Board, a government-created entity, has been investing pension funds in the financial markets since 1999. This model differs dramatically both from reform proposals in the USA, where centralized pension fund investment was rejected, and from the Latin American model, which is based on individual accounts. Canada's relatively harmonious political debate over reform and its strong commitment to the state-sponsored PAYGO model makes it unique in the hemisphere.

When Mexico's government instituted individual accounts in 1997, it more or less followed the Chilean model that inspired so many of the Latin American reforms. Reformers hoped that the new system would increase

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coverage by bringing more workers into the formal sector, provide greater incentives for individuals to save for retirement, and deepen capital markets. In their analysis, authors Tapen Sinha and Maria de los Angeles Yañez find that the system faces a number of challenges, including a reduction in the ratio of contributors relative to affiliates, high commission charges, and a likelihood that the government will have to support the old-age poor when lower-income individuals retire with insufficient funds in their accounts. On the other hand, they note, the government bond market has deepened, bringing more financial security to the pension system.

Within the context of Latin America, Brazil is an outlier. In their chapter, Milko Matijascic and Stephen J. Kay point out that while much of the rest of the region moved toward individual accounts, Brazil, like Canada, instead engaged in parametric reforms. Recently, the country introduced the *fator previdenciário*, a system akin to a notional DC system, whereby contributions and benefits are strictly linked but contributions do not go into individual-funded savings accounts. Although a few political leaders have favored private accounts (most notably ex-President Cardoso), individual accounts never received much political support, and the transition costs are considered potentially prohibitive, reaching as high as 201 percent of GDP (ECLAC 2006: 127). Structural reform is complicated by the fact that the social security system is codified in the 1988 constitution, which means that any structural reform requires going through the laborious and politically costly constitutional amendment process. Matijascic and Kay argue that administrative and legislative reforms that would make the system more efficient and equitable are possible even when support for constitutional reform is lacking.

Costa Rica's recent reforms differ from regional reforms in that they maintain continuity with the defined benefit (DB) system that began in the 1940s while also introducing a complementary DC second pillar. In her chapter, Juliana Martínez Franzoni describes this hybrid system that reflects both the continuity of a parametric reform and the structural reform of a system of individual accounts smaller in scale than in other Latin American countries. The 2005 reform improved the system's financial equilibrium (and averted near-term financial crisis) and introduced a more progressive PAYGO benefit. Martínez Franzoni describes how, on the political side, various stakeholders struggled to shape reform outcomes. As in the other countries in this study, reform in Costa Rica remains a work in progress.

Peru's reform introduced private savings accounts while maintaining a fiscally unsustainable public pillar that authors Eduardo Morón and Eliana Carranza say must eventually be fixed. The authors note a number of factors that led to slow acceptance of the new system, including the fact that workers had more incentive to remain in the old PAYGO system, which offered a lower contribution rate, a lower retirement age, and a minimum

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pension guarantee. However, eventual adjustments allowed the new system to compete more effectively for workers. The authors analyze how well the Peruvian system has performed with respect to investment, fees, competition, and coverage, and argue that reducing political interference is critical to its future success.

Rodolfo Saldain describes Uruguay's 1995 structural reform, which is based on a multipillar, or mixed, system, with contributions and benefits linked to both a state-managed PAYGO system and privately managed individual savings accounts. Since its implementation, the reform faced challenges arising from its design, turbulent financial markets, and difficulties with respect to political and social acceptance. Saldain notes that Uruguay is unique in its reserving a strong role for a state-owned institution administering private funds. He points to legal regulations that led to the homogenization of investment policies and the lack of appropriate investment instruments, which in turn contributed to a concentration of investment in instruments issued by the public sector. He also notes that the new pension system emerged in good condition from the country's worst financial crisis, which occurred in 2002. The system now faces renewed political challenges after the election of a political coalition that had opposed the creation of the new mixed system. However, the lack of a viable alternative to the 1995 reform suggests that current policies will be maintained, though it is likely that policymakers will make advisable and necessary adjustments.

Argentina instituted a major pension reform in 1994 following an extremely serious macroeconomic crisis. Partly inspired by Chile's experience, Argentina replaced its purely PAYGO system with a mixed model that incorporated elements of both public and private systems. Rafael Rofman suggests that the pension reform was actually a combination of four separate but interdependent reforms: parametric changes, which resulted in stricter requirements for receiving benefits shifting from a DB formula tying benefits to previous earnings to a DC structure; re-introducing a funded scheme; and institutional changes that created both pension fund management firms and public supervisory agencies. His chapter includes a look at coverage rates as well as indirect economic effects, such as the impact on capital and labor markets, and a review of key policy challenges with respect to coverage, institutional design and efficiency, and system fragmentation. While these issues were exacerbated by the 2001–2 financial crisis, he notes that the pension funds have produced reasonable returns over time.

Conclusion: Looking for Lessons

Ultimately, the test of these pension reforms and their impact on poverty reduction among the aged will occur when these systems mature—which,

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Fogel reminds us in his chapter, is occurring in the context of a global demographic transition. All the reforms centered on individual prefunded accounts were implemented relatively recently, beginning with Chile in 1981 and followed by several other countries in the 1990s. In the meantime, indicators like coverage rates, annual returns, and administrative and transition costs provide some perspective on how well these systems are performing with respect to efficiency and equity.

This collection illustrates the wide range of reforms in Latin America—indeed, throughout the hemisphere—and suggests some of the key lessons of pension reform. As Olivia Mitchell writes in the epilogue, political actors have often focused on the ‘front end’ of the reform so that accounts are set up and funds begin to accumulate, deferring to later, and sometimes neglecting, tax, health care, and capital market reforms. As this volume makes evident, it is important for governments to follow through with necessary complementary measures after the adoption of major pension reforms. Whether it is investment rules and capital market reforms in Mexico, administrative fee structures in Peru, or lax disability and survivorship rules in Brazil, reformers often failed to put adequate legal rules and regulatory frameworks in place to support reforms.

Clearly, pension reform is an ongoing project. Over its twenty-five-year-plus history, the Chilean pension system has been continually modified, as policymakers have changed investment rules and added worker choices, and is now moving toward a basic solidarity pension and improved gender equity. Furthermore, economies and labor markets evolve over time, requiring an effective response to changing conditions. For practical political reasons, political leaders will find it rational to pass reform measures piecemeal and to postpone the most politically costly measures, even if this approach can actually serve to undermine reforms. The critical question is whether policymakers will accept the challenge of continuing and deepening the reform process, with its many costs and obstacles, even after the initial ‘front-end’ reforms have been implemented.

In some instances, however, governments may choose to return to state-sponsored PAYGO systems at the expense of individual accounts. This process appears to be taking place in Argentina, where the legislature approved measures that would raise the benefit in the state-run system, allow workers to return to the public system from the private, place a ceiling on commission costs, and steer new workers who neglect to choose a pension fund into the public rather than private system. As Rofman notes in this volume, these measures could result in a smaller private pillar limited to providing complementary benefits to a relatively small percentage of upper- and middle-income workers.

In the Western hemisphere, it is apparent that policymakers are increasingly putting pension reform at the top of the agenda. First, we have seen

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movement toward retrenchment with respect to recent pension reforms after the election of administrations that opposed, or at the very least did not lend their support to, systems of individual accounts. As mentioned above, Argentina has moved to roll back some of its reforms, and a range of proposed measures to retrench individual accounts have surfaced elsewhere in the region, including Bolivia and Uruguay. Second, Chile, which pioneered individual accounts, is engaged in its most serious attempt yet to correct the perceived shortcomings in its system of individual accounts and to universalize coverage to incorporate the significant percentage of workers who fail to accumulate sufficient funds in their accounts. Just as governments turned to Chile for inspiration when developing their reforms in the first place, policymakers in the region will no doubt watch Chile's ongoing reform efforts closely. Finally, even amid the wide variation in the scope of pension reform in the region, the chapters in this book indicate that there is a wide range of policies and rules that affect pension adequacy, coverage, competition, costs, and minimum guarantees, where governments can learn lessons from their neighbors.

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