

SECTION 4. CONCLUSIONS

While the financial crisis has hit pension systems in the ECA region hard, the real crisis is yet to come. Despite the pain countries have endured during the global financial and economic crisis, the impact of this crisis pales in comparison to what the countries are soon to face with the aging demographic transition. Short run recommendations include:

- Do not be hasty and make changes in long run programs to address short term needs
- Use the opportunity of the crisis to address long-run issues which will help when the demographic crisis hits

Long run recommendations include:

First Pillar

- Move to inflation indexation of pensions after retirement
- Increase the retirement age and equalize the retirement ages of men and women
- Reduce early retirement
- Promote public awareness that public pensions will necessarily be less generous than in the past

Second Pillar

- Provide better insurance against vagaries of the financial market during accumulation and decumulation phases
- Accelerate regulatory and supervisory reforms that will allow pension funds to earn better rates of return for participants
- Pro-actively engage in capital market development, particularly by offering inflation-indexed bonds