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Crisis highlights the need for sweeping pension reforms, says OECD

Governments must continue reforms to ensure that public and private retirement income provision is socially as well as financially sustainable, according to a new OECD report.

With rising unemployment and falling tax revenues squeezing public finances, OECD governments face budget deficits of nearly 9% of national income on average in 2010. This leaves little room for more generous public pensions, according to the 2009 edition of the OECD's biennial [Pensions at a Glance](#). Some countries have already had to cut back on future public spending on pensions.

But private pension schemes have also been badly hit by plunging stock markets, and the way they operate needs to change, says the report. Reforms should include better regulation, more efficient administration, clearer information about risks and rewards of different options and an automatic switch to less risky investments as people near retirement.

“Reforming pension systems now, to make them both affordable and strong enough to provide protection against market swings, citizens will save governments a lot of financial and political pain in the future,” OECD Secretary-General Angel Gurría commented.

Because of the long horizon involved in pensions – with 60 years on average between when people make their first contribution and receive their last benefit – all kinds of pension provision are subject to risks and uncertainties of different kinds. Diversifying pension provision remains the right strategy, in the face of demographic, political, economic and financial risks, according to the report. Rolling back reforms and trying to rely on public pay-as-you-go financed pensions alone is the wrong way to go.

In addition to analysing the impact of the crisis on pensions, **Pensions at Glance 2009** also includes features on the incomes and poverty of older people, recent pension reforms and on the coverage of private pension schemes. The publication also provides comparative indicators on the national pension systems of the 30 OECD countries.

Country-specific briefing notes on 12 OECD countries, together with media briefs on the financial and economic crisis and pensions and other highlights of the report are available at www.oecd.org/els/social/pensions/pag

A video interview with OECD pensions expert Edward Whitehouse on the report is available [here](#).

For comment or further information, journalists should contact [Edward Whitehouse](#) of the OECD's Social Policy division (tel. + 33 1 45 24 80 79)

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