

During 1990s, pension reforms took place in 7 Latin American countries. This paper focuses on pension reforms in two countries of the region – namely Peru and Bolivia. Apart from describing reforms, the paper deals with indexation of pensions. Using data from Peru, it examines whether the consumer price index is an appropriate indicator for indexing pension benefits.

Section I adumbrates economic and demographic situation in Latin America and history of local pension systems. Next section is devoted to the pension system in Peru, its reform and subsequent adjustments. The third section describes the reform and its modification in Bolivia. Section IV summarizes and compares examined reforms. Final section analyses costs of living of particular income groups in Peru. Results show that 55-60 % of pensioners faced lower inflation than was the overall inflation in the country during the period 1995-2003. Therefore, indexing pensions with consumer price index is advantageous for more than half of pensioners.