

### Key results

The indicators so far have shown replacement rates, relative pension levels and pension wealth for people at different levels of earnings. By taking a weighted average of these indicators over the earnings range, the measures presented here show the average for the pension level at the time of retirement and pension wealth, the lifetime value of pension payments.

The first of these is designed to show the level of the average retirement income, taking account of the different treatment of workers with different incomes. The average pension level is 64.1% of economy-wide average earnings for men and 62.2% for women across the LAC26 countries.

The second aims to summarise the total cost of providing old-age incomes. Weighted average pension wealth is an average of 12.2 times annual economy-wide average earnings for men and 14.0 for women.

The weighted average relative pension level combines data on the distribution of earnings with calculations of pension entitlements. This aggregate measure is then expressed as a percentage of economy-wide average (mean) earnings. Replacement rates are generally higher for low earners and vice versa. But there are many more low earners than there are high earners.

The results are shown in the first and second columns of the table for men and women respectively. At the top of the range, the weighted average pension level is above 90% in Ecuador, Nicaragua, Paraguay and Venezuela. In another three countries – Argentina, Costa Rica and Panama – the weighted average pension level is above 80% of the average earnings. At the other end of the scale, in four LAC countries (the Dominican Republic, Haiti, Mexico and Suriname) the weighted average pension level is less than 40% of average earnings.

The same type of weighting procedure can also be applied to the pension wealth measure. Pension wealth is the most comprehensive measure of the scale of the pension promise made to today's workers, as it allows for differences between countries in pension ages, life expectancy and indexation policies. Weighted average pension wealth is expressed as a multiple of economy-wide average earnings.

The results are shown in the third and fourth columns of the table. Values well above the average for weighted average pension wealth, between 18.2 and 23.2 for men and 20.0 and 25.6 of average earnings for women, are found in Ecuador, Nicaragua, Paraguay and Venezuela. Argentina, Belize, Colombia, Costa Rica, Guyana, Honduras, Panama and Uruguay are closely clustered with values of this indicator of

around 12 to 14 times average earnings for men and around 14 to 17 times average earnings for women.

When converted to United States dollars (at market exchange rates) the average pension promise amount to USD 80 000 for men and USD 93 000 for women (fifth and sixth column of the table). These numbers represent the present value of the transfers that societies are promising on average to future retirees under the current pension system rules.

In the Bahamas and Venezuela the average pension wealth is very high while at the other end of the spectrum, in the Dominican Republic pension wealth is well below the average for LAC, at 4.2 times average earnings for men and 4.6 times average earnings for women. Pension wealth is also relatively low in countries with shorter life expectancy such as Haiti and Suriname.

### Definition and measurement

The indicators build on the calculations of pension entitlements (pension levels and pension wealth) for people earning between 0.3 and 3 times the economy-wide average.


Each level of individual earnings is given a weight based on its importance in the distribution of earnings. The calculations use national data. The earnings distribution is skewed in all countries. The mode (or peak) of the distribution and the median (the earnings level both below and above which half of employees are situated) are significantly less than the mean. Thus, there are many people with low earnings, and fewer with high earnings, so low earners are given a larger weight in the calculation of the indicator than high earners.

## 3.16. Weighted averages: Pension levels and pension wealth

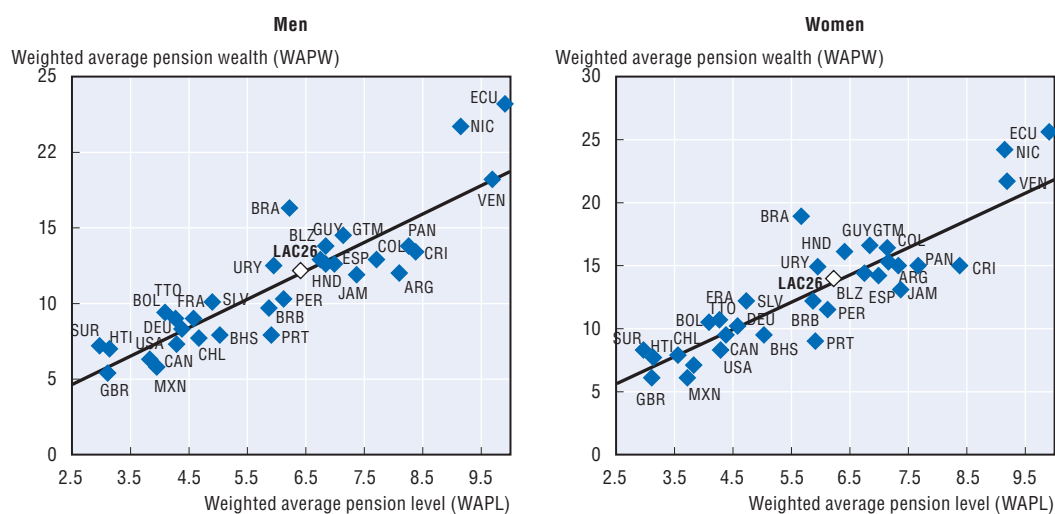
Percentage of economy-wide average earnings

	Weighted average pension level		Weighted average pension wealth		Average pension wealth (USD)	
	Men	Women	Men	Women	Men	Women
Argentina	81.0	73.3	12.0	15.0	162 000	203 000
Bahamas	50.3	50.3	7.9	9.5	173 000	208 000
Barbados	58.7	58.7	9.7	12.2	135 000	170 000
Belize	67.5	67.5	12.9	14.4	57 000	64 000
Bolivia	40.9	40.9	9.4	10.5	17 000	19 000
Brazil	62.2	56.7	16.3	18.9	162 000	188 000
Chile	46.7	35.6	7.7	7.9	91 000	93 000
Colombia	77.1	71.6	12.9	15.3	81 000	96 000
Costa Rica	83.8	83.8	13.4	15.0	103 000	115 000
Dominican Republic	24.0	24.0	4.2	4.6	21 000	23 000
Ecuador	99.1	99.1	23.2	25.6	102 000	112 000
El Salvador	49.0	47.3	10.1	12.2	4 000	5 000
Guatemala	71.4	71.4	14.5	16.4	40 000	45 000
Guyana	68.4	68.4	13.8	16.6	40 000	48 000
Haiti	31.4	31.4	7.0	7.7	5 000	5 000
Honduras	68.4	64.1	12.6	16.1	40 000	51 000
Jamaica	73.7	73.7	11.9	13.1	60 000	66 000
Mexico	39.5	37.2	5.8	6.1	40 000	42 000
Nicaragua	91.5	91.5	21.7	24.2	31 000	35 000
Panama	82.6	76.7	13.8	15.0	105 000	114 000
Paraguay	109.6	109.6	18.5	20.0	74 000	80 000
Peru	61.2	61.2	10.3	11.5	54 000	60 000
Suriname	29.7	29.7	7.2	8.3	56 000	65 000
Trinidad and Tobago	42.7	42.7	9.0	10.7	103 000	122 000
Uruguay	59.5	59.5	12.5	14.9	143 000	170 000
Venezuela	96.9	91.9	18.2	21.7	181 000	216 000
<b>LAC26</b>	<b>64.1</b>	<b>62.2</b>	<b>12.2</b>	<b>14.0</b>	<b>80 000</b>	<b>93 000</b>
<b>OECD countries</b>						
Canada	42.9	42.9	7.3	8.3	328 000	373 000
France	45.8	45.8	9.0	10.2	409 000	463 000
Germany	43.8	43.8	8.3	9.5	472 000	540 000
Portugal	59.1	59.1	7.9	9.0	184 000	209 000
Spain	69.9	69.9	12.6	14.2	419 000	472 000
United Kingdom	31.1	31.1	5.4	6.1	289 000	327 000
United States	38.3	38.3	6.3	7.1	288 000	324 000


Source: OECD pension models.

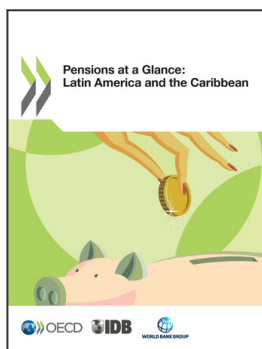
StatLink  <http://dx.doi.org/10.1787/888933161957>

## 3.17. Weighted averages compared: Pension levels versus pension wealth by sex



Source: OECD pension models.

StatLink  <http://dx.doi.org/10.1787/888933161548>



**From:**  
**Pensions at a Glance**  
Latin America and the Caribbean

**Access the complete publication at:**  
[https://doi.org/10.1787/pension\\_glance-2014-en](https://doi.org/10.1787/pension_glance-2014-en)

**Please cite this chapter as:**

OECD/Inter-American Development Bank/The World Bank (2014), "Weighted averages: Pension levels and pension wealth", in *Pensions at a Glance: Latin America and the Caribbean*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264224964-17-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).