

The Cypriot Pension System: Adequacy and Sustainability

Philippos Mannaris*

Aon Hewitt

Abstract

The fundamental objective of pension provision is to provide an adequate, safe and sustainable income to people in retirement. As life expectancy projections continue to be revised upwards, policy makers have a responsibility to ensure the pension system is sustainable and the costs of increasing longevity are shared fairly between generations. The financial status of the Cyprus Social Insurance Scheme will continue to deteriorate leading to a projected increase of the impact on government finances of an additional 2.2 percent of GDP by year 2030, placing an overall unsustainable burden on public finances. Given the anticipated pressures on the long-term financial sustainability of the state social security system as well as significant gaps related to supplementary coverage and income adequacy at retirement, employer-provided retirement provision will constitute an even more important pension supplement for old-age and is therefore expected to be further developed with the aim of safe, sustainable and effective social protection. Securing an adequate retirement income for citizens should be a priority for policy makers and any reform measures to improve sustainability should not come at the expense of the system's adequacy.

Keywords: Pension, adequacy, sustainability, pension reform, Cyprus.

* Corresponding address: Aon Hewitt, 8 Kennedy Ave, Athienitis House 4th floor, 1087 Nicosia, Cyprus. E-mail: philippos.mannaris@aonhewitt.com.