



Basic Pension Insurance in the Czech Republic

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Basic Pension Insurance - General Information

(Pension Insurance Act No. 155/1995 Coll.)

- Pay-as-you-go scheme, financed from the state budget, contribution rate 28%
- Uniform for all economically active, no special schemes
- DB (flat rate + earnings related), old-age, disability and survivors pensions
- State administration

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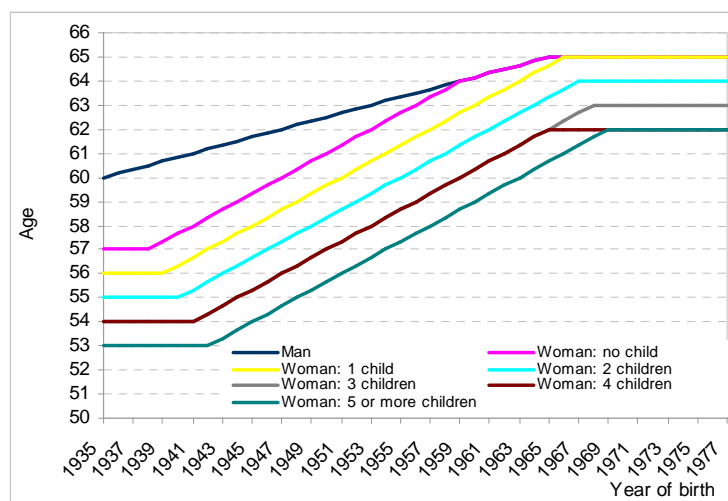
Basic Pension Insurance – Retirement Age

- Originally low retirement age of 60 years for men and 53-57 for women according to the number of brought up children
 - Increasing pressure on the pension scheme due to improvements in mortality and longer life expectancy
- => Retirement age has been gradually increasing since 1996; according to the latest amendment law adopted in 2008 it should reach 65 years for men and 62 to 65 years for women (according to the number of brought up children) in 2027-2031

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Increase in Retirement Age



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Basic Pension Insurance – Indexation of Pensions

- Regular indexation of pensions in payment
- Since 2003:
 - regular increase on an annual basis in January; this does not apply in cases of high inflation
 - increases in pensions are set so that minimum pension indexation corresponds to at least 100% of price increases + at least one third of the growth in real wages

Last change in legislation: 2008, protection of pensions from high inflation; pensions increased in an extraordinary term if prices increase by at least 5% (previously 10%)

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Basic Pension Insurance – Non-Contributory Periods

- Non- contributory periods credited: studies (max. 6 years, will be abolished from 2010), registered unemployment (period with benefits + 3 years without as max.), employment training of persons with reduced working capacity, former military/civilian service, care for child (up to the age of 4 years) or a dependant person, drawing of full invalidity pension
- For pension calculation credited as 80% of insurance period (exemptions - care for child or dependant person and military service)
- For pension entitlement credited as 100% of insurance period (gradual change to 80%)
- Cca ¼ of all periods taken into account; no special financing

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Basic Pension Insurance - Collection of Contributions

- Contributions collected mainly by the Czech Social Security Administration (CSSA)
- Employers have reporting and recording tasks and bear the responsibility for stipulating the correct amount of contributions that both them and their employees must pay and for sending the contributions on time
- Minimum contribution base for self-employed
- CSSA controls and enforces contribution payments
- Change under discussion: unification of tax and social insurance contributions collection

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Impact of the Crisis on the Pension System

- Current global financial crisis has not led to additional changes in the pension provision in the Czech Republic
- Pensions secured mainly by the basic pension insurance scheme, mandatory private pension scheme does not exist (no political consensus)
- Lower employment and reduction in economic growth could accelerate the negative effects of demographic changes on the pay-as-you-go scheme; however, currently no need for fundamental change of strategic objectives in pension policy is expected

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Thank you for your attention