Abstract

The social security and the pension system (as a part of the social security) has a more than hundred years tradition in the territory of the Czech Republic. The first obligatory social insurance laws were approved in 1888-1889. Important progressive and modern law regulating the public pension scheme was drafted in 1924 and also in 1948. However, between the 1950’s and 1980’s gradually deformations were implemented to the system.

At the beginning of the 90's of the past century together with the decision on economic reform it has been decided also on the reform of the social system. As far as the field of pensions is concerned, reform measures were taken continuously since 1990. The most important change was the passage of the Act on Pension Insurance in mid-90's which introduced such crucial measures (especially from the long-term viewpoint) as gradual raising of the retirement age for eligibility for the old-age pension together with narrowing the gap between these retirement ages for men and women and reflection of general development of wages in the pension calculation. The current legal regulation is not an impediment to the labour force mobility.

The basic state pension insurance system is based on defined benefits and PAYG financing. Pensions provided under pension insurance are: old-age, full disability, partial disability, widow’s, widower’s and orphan’s. Participation in the basic pension insurance is compulsory for all economic active population and basically 99% of the population at the age higher than statutory retirement age receive the old age pension. There is a single same regulation for all population (no special schemes for different groups or professions) in the system.

State-subsidized supplementary pension insurance scheme was implemented in 1994. This is voluntary, fully funded scheme based on defined contribution (DC).

Currently, there are 11 pension funds in the market. Pension funds are joint stock companies and any individual over 18 years may become a participant in this scheme. The state supports participations in the system through the state subsidy and by an income tax allowance.

Based on political negotiations in 2004 the Expert Team was established, in which political parties have their representatives. A specialized working group was formed, charged with the task to analyze proposals for individual options of the pension reform that were submitted by political parties.

After the parametrical changes the basic pension insurance scheme has been stabilized for a period of approximately 20 years. Revenue from pension insurance contributions will be sufficient to cover the expenditure of the scheme that will range from 8 % to 9 % of GDP. Then, however, a dramatic rise in expenditure will follow. Consequently, due to the inertia of the scheme it is necessary to consider already now further important reform steps.