Report on Bachelor Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University

Student:	**Lukáš Pokorný**
Advisor:	**doc. Petr Janský, M.Sc., Ph.D.**
Title of the thesis:	**Assessing Sustainability of the PAYG Pension System in the Czech Republic and the Effect of Automatic Balance Mechanism**

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Contribution

The author has conducted a case study of financial sustainability assessment of the pay-as-you-go (PAYG) pension system in the Czech Republic. Furthermore, he introduces his own suggestion of an automatic balance mechanism (ABM) based on the contribution rate, age of retirement, and indexation of pensions for the sake of financial sustainability and liquidity of the pension system.

Higher level of contribution is directly conditional on more profound discussion of the results and elaborated conclusion.

Methods

The method used for calculation of the ABM strategy for a PAYG pension system is inspired by the Godínez-Olivares et al. (2016). The author selected the following three parameters as the essential ones for modelling of the financial stability: i) age of retirement, ii) contribution rate, and iii) indexation of pensions. The model is properly described and applied.

At the level of bachelor thesis, it would be beneficial to explicitly determine the main hypotheses of the research and later test them.

Literature

The literature review seems to be reliable, but further extension of referred articles might provide the reader with more comprehensive overview of the topic of pension systems as such. This is a trap of addressing a broad topic at the bachelor thesis level. It would be also beneficial to emphasize the contribution of this bachelor thesis in comparison with the existing research explicitly. Finally, some of the presented statistics are not properly namely cited (e. g., these by the Czech Statistical Office, Czech Social Security Administration, or Eurostat).

Manuscript form

The thesis is written in LaTeX and the text is generally coherent. The level of English is adequate, figures and tables are correspondingly described, and bibliography is arranged. For the sake of the reader's comfort, the citations might be linked to *Bibliography* in the PDF version of the document and figures and tables including their captions should not be displayed on multiple pages if not necessary (e. g., Figure 2.2, Table 4.2, Table 4.3).

Summary and suggested questions for the discussion during the defense

The author has submitted a solid case study of financial sustainability assessment of the pay-as-you-go pension system with a proposal of potential automatic balance mechanism. The output corresponds to the level of bachelor thesis. The results of the Urkund analysis do not indicate any significant text similarity with other available sources. Based on the awarded points, I recommend the thesis for defense and propose to award it with grade C (see the score below).

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Questions for the final defense:

i) Which of your data inputs do you consider as being the most prone to effect and bias the modeling output? How do you address such risk?

ii) Can you elaborate on the existing discussion of ABM in the Czech Republic? What are the standpoints of main stakeholders and what are the biggest barriers of its introduction to practice?

SUMMARY OF POINTS AWARDED *(for details, see below):*

CATEGORY		POINTS
Contribution	*(max. 30 points)*	20
Methods	*(max. 30 points)*	25
Literature	*(max. 20 points)*	15
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**78**
GRADE	**(A – B – C – D – E – F)**	**C**

NAME OF THE REFEREE: Dominik Herman

DATE OF EVALUATION: January 16, 2022

Digitally signed (2022-01-16):
Dominik Herman

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Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F