The pension insurance system and aspects affecting its development with an emphasis on demographic changes

Abstract

The diploma thesis deals with the description of the current pension insurance system in the Czech Republic and aims to evaluate the pension system on the basis of aspects that affect its development. Demographic development is a key factor influencing the system. The author describes the relevant demographic indicators and their development and presents conclusions resulting from the forecast of population development. In 2021, expenditures on social benefits accounted for 37% of all state budget expenditures, ie CZK 697 billion, of which almost 77% were expenditures on pension insurance benefits in the amount of CZK 536 billion. State budget revenues from compulsory social security premiums represent 41%, ie CZK 562 billion. As these data show, the Czech Republic will face a lack of funds in the future due to the expected aging population, and therefore the author presents possible scenarios in the diploma thesis, where the pension insurance system could develop in the future.

A significant part of the diploma thesis is focused on the first pillar of the pension system, ie pension insurance, where the author describes all the concepts arising from the law. In addition to the old-age pension, the diploma thesis also describes disability pension and survivor's pensions. However, the last described pensions do not have such a big impact on the state budget. The pension insurance system in the Czech Republic is financed by the PAYG system, which makes it very sensitive to changes in the demographic structure of the population. In contrast, privately funded private pension savings under the third pillar represent a cheap and elegant option for the state to ease the state budget.

In the final parts of the work, the author summarizes the current and expected demographic development and, based on this, presents several scenarios where the pension reform should develop. None of the presented options is an ideal option and it will therefore be interesting to follow the pension insurance system and its reforms in the future.

Keywords: Pension insurance system, demographic development, pension reform