

FAKULTA SOCIÁLNÍCH VĚD

Karlova universita, Praha



REVIEW OF MASTER THESIS

DATE: 15 June 2006
STUDENT: Peter Genzor
TITLE: Influence of Pension Reforms on Capital Markets
YEAR: 2005/2006
CONSULTANT: Ondrej Schneider

THESIS REVIEW:

The thesis provides an analysis of the pension landscape with a special attention given to the role and impact of pension funds. The topic is important and the thesis brings a wealth of information on various aspects of pension reforms. However, the thesis is loosely written and it is not easy to read and/or understand the author's message. Although there is a lot of literature covered and the author demonstrates his impressive command of resources, I have found the essay short of any significant author's contribution. Also, the thesis is written in English and one must admit that it would tremendously benefit from English proofing. Therefore, **I recommend the thesis for the defence and suggest grade C ("dobře")**.

After a brief introduction the authors discusses pension reform strategies in chapter two. Chapter is brief, but sufficient. The third chapter deals with capital market developments and concentrates on pension funds' role. The chapter often touches interesting aspects of the capital market developments, but rarely goes deeper into the issues. For example, 3.1.2 mentions innovation of specific instruments tailored to pension funds' needs. But there is no follow up and no attempt to discuss in more detail spread of these innovations. Next part, 3.1.3, discusses volatility on the markets but makes no attempt to qualify the potential pension funds' role in it (besides very general table that does not separate the pension funds' role). In part 3.1.4. author suggests that banks may be under threat from pension funds, but the whole chapter is very confusing and does not clarify the relationship banks-pension funds at all.

The fourth chapter is devoted to the taxation and regulation of pension funds. Author argues that "prudent-man" regulation leads to improved efficiency of funds, but supports this idea by a table from a 1995 book using historical data from 1967-1990. It should have not been impossible to gather more recent data.

The fifth chapter is devoted to an overview of the pension funds industry. Author argues that there is insufficient supply of long-term instruments demanded by pension funds and quotes a study estimating demand for such instruments. It would be interesting to look at Czech, Slovak or Hungarian pension funds (discussed later in chapter 7) and compare their portfolio.

The sixth and seventh chapters deal with pension reform experiences in Chile and in central Europe. The "Chilean" chapter is better, as author uses wide literature sources. It is too brief to contain much specific information. Sometimes, author moves too quickly, for example claiming that performance of Poland pension funds was good (p. 66) without providing any data that would support the claim.

To summarise, the thesis is not bad, but suffers from not-that-organised approach and lack of own contribution of author who relied on literature too much. I recommend grade C for this essay.

