

Abstract

Pension system in the Czech Republic still heavily relies on a model based on current disbursement method (PAYG), which is largely based on intergenerational solidarity. With expected demographic changes, however, the amount of those who contribute will decrease and the oncoming retirement of populous generations of 70s together with prolonging life expectancy on the other hand will cause expenditure to increase. This thesis takes advantage of two different demographic projections and incorporates the latest macroeconomic data and legislative changes to capture the possible future scenarios. The results of this part suggest that the current system is not sustainable without intense external financing.

Further it explores the impact of potential changes in various parameters of the pension system on the final account balance of pension insurance and tries to find their ideal setting that would allow for a balanced budget. Changes that would be required to implement in order to attain this objective are not insignificant and could be negatively reflected in the overall development of the Czech economy. It is therefore inevitable to start a discussion about more comprehensive possible reforms of the Czech pension system.

JEL Classification E17, J11, H55

Keywords pension system, pay as you go system, demographic changes, parametric reforms, Czech Republic

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