

Report on Bachelor / Master Thesis

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

Student:	Jan HLAVÁČ
Advisor:	Doc. O. Schneider
Title of the thesis:	The performance of the Czech private pension scheme: Current design and its position withing CEE countries

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

The thesis of Mr. Hlavac is an extensive work on private voluntary pension schemes covering 93 pages that are partially a descriptive survey and partially an own analytical work, including a large number of tables with econometric results. The author tries to fill the gap in the analysis of the Czech scheme which is compared with similar schemes in five other post-communist countries.

Chapter 2 is a well-prepared survey into the history of voluntary pension scheme in Czechia with a review of the legislation and recent data extensively illustrated on graphs. (Unfortunately some graphs are not so clear because of the incorrect choice of colours used for black and white printing - see e.g. Fig. 3 in p. 12).

The thesis becomes more academic in chapter 3 describing the motives and potential objective functions of pension fund performance. Here I would expect deeper analysis that would deal with the environment of financial markets in CEE economies where the conditions for perfect competition and contestability are not guaranteed and where the moral hazard of financial institutions could lead the agents of scheme operators to rent seeking, asset stripping and collapse of the scheme, especially if the government is able neither to monitor the schemes nor to bail them out. The recent problems with private pension schemes in Hungary and Poland point to such problems. The review of the measurement of performance by Sharpe ratio is well explained and illustrated by a rich sample of resources.

The own work of the author commences in part 3.6 where there are presented the results of empirical testing on pages 59-85. The approach by using a wide portfolio of six reference benchmarks offers a reliable analysis. The estimates of comparative yields of pension schemes for six countries on pp. 64-77 are interesting and instructive. The estimates could quantify how the world financial crisis hit pension schemes in individual countries, revealing their vulnerability. With the exception of Poland (where the financial markets are most probably healthiest) all remaining countries performed "markedly unsatisfactorily" (p. 80). An attempt is made to explain the roots of such a performance on a half of a page. Definitely that would deserve a special chapter (or a large section), which would include also policy implications. Here the otherwise excellent thesis evidently underperformed.

Suggested question for the defense is: "Explain the reasons for unsatisfactory performance of the third pillar of pension schemes in 6 analysed countries, point to policy loopholes and potential policy improvements, as well as to the situation of local financial markets (compared to a benchmark of perfect competition)".

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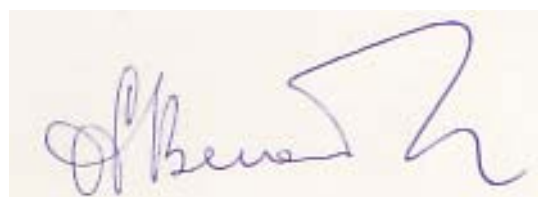
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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	26
<i>Contribution</i> (max. 30 points)	23
<i>Manuscript Form</i> (max. 20 points)	19
TOTAL POINTS (max. 100 points)	86
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *Vladimír Benáček*



DATE OF EVALUATION: 20.1.2011

Referee Signature

