Institut ekonomických studií

Fakulta sociálních věd, Karlova universita Praha
Referee report on the Master Thesis

Student Name:	Josef Obořil
Thesis Supervisor Name:	Ondřej Schneider
Thesis Title:	Impact of Pension Reform to Implicit Debt

Overall Evaluation:

The master thesis submitted by *Josef Obořil* deals with the issue of implicit pension debt in the European Union countries. Josef approaches the topic with gusto and provides a lot of authoritative statistics and comparisons. He is, however, much more frugal with his methodology, which makes some of his conclusions open to discussion. While the final version of his thesis addresses some of my questions raised during the last year, Josef still has chosen to ignore my several comments, which I have found rather frustrating. I list some of my comments and questions below and I hope Josef will have a chance to address them during his defense. As far as other aspects are concerned, the thesis is written in reasonable English and provides a thorough overview of the existing literature. Therefore, I recommend the thesis for the defense. The grade strongly depends on Josef's performance during the defense. If he is able to explain his model clearly and motivate his results, I suggest grade B (**very good).**Chapters 1 and 2 cover, by and large, classic pension topics in an exhaustive manner, even though Josef sometimes makes too strong claims, and sometimes fails to reflect most recent changes in pension systems (Poland, Baltic countries). For example, it is not true that the DC system excludes ANY redistribution or that countries from Eastern Europe rely on government more than in Western Europe (page 8).

The key chapter 3 supposedly discusses model methodology, while it in reality discusses the IPD theory. The IPD theory is fairly straightforward, but Josef claims tha the will "also investigate impact of individual pension reforms components", which is very ambitious, but he provides only patchy explanation how this is done. Repeated discussion of the IPD in Denmark should be omitted, due to the Danish system peculiarity.

Chapter 4 focuses on data, but it again raises several questions. For example data on gross wages (page 42) does not conform to the data from Eurostat, where several countries show gross wage in excess of euro 40,000 which are below 30,000 in the chart. Why it is so? Also, the ISSA database is not as complete and perfect tool for modelling as the thesis seems to suggest.

Chapter 5 summarizes the model results, again with a plethora of numbers and comparisons, but with less stress on methodology than would be appropriate. It is extremely difficult to model pension systems in so many countries, not to speak about modelling different scenarios in different countries as Josef presents here. Several question worth exploring during the defense:

- sudden jumps in IPD are very high and often not commented on: Italy goes from 345% to 160% in one year (and is much lower than in other studies),
- Sweden IPD is very high (despite NDC): why?
- Josef claims that IPD is negative in all countries, while the table 5.1 suggest otherwise, why?
- Reductions in Italy's IPD (700% of GDP) and Greece's (570%) are extremely large.
- The table 5.6: impact of scenarios on IPD changes is striking: while Italy's IPD fell by 700% in baseline, it would have fallen by 1132% of GDP under "economic growth scenario" (and so become positive?). Really?

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- Table 5.7. shows that Italian pensioners have been consistently receiving less than 100% of their contributions. At the same time, the Italian system IPD is high. Is the Italian demography so much worse than in other EU countries?
- Some claims are, on the other hand, trivial, as the confirmation that higher discount rates reduce the IPD. Who would expect that? ☺

SUMMARY OF POINTS AWARDED:

CATEGORY	POINTS
Literature (0-20)	20
Methods (0-30)	10
Contribution (0-30)	25
Manuscript Form (0-20)	20
TOTAL POINTS (0-100)	**75**
GRADE	**2-3**

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(Signature)

Ondřej Schneider

Evaluated on: **8 June 2015**