

EXPERT COMMITTEE ON PENSION REFORM CZECH REPUBLIC FINAL REPORT ON ACTIVITIES IN 2014

Submitted by: Martin Potůček, Chairman¹

The Expert Committee on Pension Reform (hereinafter also referred to as the “ECPR”), established on the basis of the Policy Statement of the Government of the Czech Republic, hereby **submits the Final Report on its Activities in 2014**, in accordance with Article 9 of its Statute.

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¹ Prepared on the basis of supporting documents and observations by heads of task forces, members of the ECPR Secretariat, minutes of meetings, and documents approved. Contact: Ministry of Labour and Social Affairs, Na Poříčním právu 1, 128 01 Prague 1, Czech Republic. E-mail address: potucek@fsv.cuni.cz.

Summary

This report summarises the activities of the Expert Committee on Pension Reform and its proposals for the Government in 2014. A total of eight proposals were prepared, discussed and adopted after establishing the ECPR and adopting its Mandate, Statute and Rules of Procedure.

As part of the public old-age pension insurance (what is known as Pillar I), the Committee proposes a revision system, which will guarantee the citizens of the Czech Republic that, after reaching the defined retirement age threshold and depending on the expected evolution of mortality, they will stand a chance of living the last quarter of their lives as retired. In addition, the Committee suggests putting in place the sharing of the bases of assessment of married couples for claiming their pension rights.

As long ago as in July 2014, the ECPR approved the Proposal of the Method to Terminate the Pension Savings System (what is known as Pillar II), which became the basis of the solution subsequently approved by the Government, with this solution being further elaborated as a legislative solution. As part of the modifications to what is known as the supplementary pension savings scheme (what is known as Pillar III), the ECPR also suggests exempting pensions paid out for at least 10 years from income tax; allowing to become a participant in Pillar III without any age limit; increasing the limit on investing in standard collective investment funds from 35% to 40%; introducing the obligation to keep supplementary capital in order to cover the cash paid or paid out for the benefit of participants or upon return of the public contribution prior to allocating the cash to the relevant participation funds in current accounts, separately from the other cash intended for a different purpose; changing the CNB's obligation to revoke a licence because of failure to meet existing statutory requirements into the option of the CNB considering this, having assessed the individual situation of the participation fund.

The ECPR met a total of ten times during the year. It established cooperation with many other organisations, notably with staff of the Ministry of Labour and Social Affairs (MoLSA) and Ministry of Finance (MF), who prepared requested supporting documents for it. Three thematically structured task forces were set up, and met a total of thirty-eight times. A conference took place, dealing with possible changes to the pension system in the medium term. Activities of the ECPR were financed from a budget heading of the MoLSA, with a limit of CZK 1.5 million in 2014.

Activities of the ECPR are based on the principle of transparency and openness. The discussed supporting documents, minutes of meetings and other documents are flexibly published at www.duchodova-komise.cz. The Committee works closely with media as well as the general public.

In 2015, the ECPR is going to continue to pursue its activities in order to achieve the objectives defined by its Mandate to the best of its abilities. Moreover, it is prepared to work with the central government and Parliament of the Czech Republic in the process of implementing previously submitted proposals.

Proposals for the Government

1. Proposals under the public pension insurance (what is known as Pillar I)

1.1 Proposal of a revision system of setting the retirement age threshold

Initial situation: The current setup of the automatically increased retirement age threshold (hereinafter referred to as the “RAT”) without the specification of a particular RAT limit value is based not only on the assumption of a permanent dynamic growth of life expectancy but also on many other implicit assumptions (dynamic growth of healthy life expectancy, elderly people’s participation in the labour market, etc.). These are mostly assumptions for which sufficiently reliable supporting materials do not exist in very distant time horizons. Moreover, the current setup does not allow for a potential chance of any negative changes in current tendencies. Hence it can be concluded that this setup is not sufficiently evidence based.

Solution characteristics: Putting in place a revision system of the RAT setup that would eliminate the deficiencies of the current setup and allow reacting to changes of external conditions represented in the initial stage of the functioning of this system by the expected development of the life expectancy when the RAT is achieved among the individual generations; an open system that could be improved hand in hand with the progress in knowledge and the ability to create further sufficiently reliable forecasts, such as forecasts of the development of healthy life expectancy. Furthermore, the revision of RAT setup should always apply to just a limited range of generations, for which the RAT information is relevant. It should not apply to the generation of current children and adolescents, or to the generation at pre-retirement age, for whom a revision of the previously set RAT should not be permissible by law.

Description of the solution proposed:

- For generations born prior to 1966, the retirement age threshold under current legislation will be maintained. The first revision report will be presented in 2019 (for generations born in 1966-1995).
- The revision system of RAT setup in its initial form would be based on just a single parameter that is objectively and, to a certain extent, reliably predictable now – the life expectancy among men and women of the relevant generation when they reach the RAT.
- The trigger mechanism of the **compulsory discussion of the revision** would be if the expected (forecasted) **value of the permitted deviation of the determining parameter** exceeded the value defined for one or several generations corresponding to the **reference age category**.
- The age group of 25-54 years is proposed to become the **reference age category**. For generations born earlier, a previously set RAT would not change.
- As the **control parameter** we suggest introducing a **percentage share of the life expectancy above RAT in respect of the average life expectancy for people who have reached the RAT**, calculated as the simple arithmetic mean of these average expectancies for men and women with two children, and setting its reference value at 25%, i.e. **one quarter of their average life expectancy**.
- **The control parameter’s permitted deviation** from the control parameter’s reference value is considered to be a deviation lower than one percentage point, i.e. the margins of tolerance consist of an open interval of 24-26%.

- Should the value of the control parameter for some of the generations of the reference age category lie beyond the margins of 24-26%, the Government, under its statutory duty, would discuss and submit to the Chamber of Deputies of the Parliament of the Czech Republic for further deliberations, within a certain period passed from publishing the anticipated excess of the critical value of deviation, a draft amendment to the Pension Insurance Act adjusting the RAT in order to ensure that the control parameter value returns to its margins of tolerance.
- The percentage share of the life expectancy above RAT in respect of the average life expectancy for people who have reached the RAT in the individual generations, as well as the retirement age values for the individual generations where the control parameter value would reach 24% or 26%, along with further relevant information characterising the demographic development of and the prospects for the Czech Republic, as well as the current development of and the outlooks for the national economy, public finance and pension system would be published in the **Report on Expected Population Development of the Czech Republic in Broader Perspectives of Pension System Developments** (hereinafter referred to as the “Report”), which would be issued on a regular basis with a 5-year periodicity.
- The **Report**, which would have a standardised content as well as format, would be prepared in the individual years by the MoLSA, based on results of the **official forecast**, which is, by law, prepared by the Czech Statistical Office and which would be mandatorily created as part of the system of creating alternative population forecasts.
- In view of the standard timing of the publication of data from census and from ordinary records, we suggest preparing all necessary forecasts during the second half of the calendar years ending with numerals 3 and 8. Then the final Report would be presented at the beginning of the years ending with numerals 4 and 9.
- The first official Report will be presented in 2019, with the control parameter to be calculated for generations born in 1966–1995.
- In order to ensure that the prognostic forecasts of development are as accurate as possible, we suggest introducing and continuing to improve a **system of creating alternative population forecasts** (hereinafter referred to as the “Forecasts”) and derived forecasts for pension reform purposes.
- The forecasts would be prepared by institutions that have been creating population forecasts at the Czech Republic level for a long time, i.e. currently the Czech Statistical Office, the University of Economics in Prague, and the Faculty of Science of the Charles University. The Forecasts at those institutions would be created in the same period and using the same public data on past population developments. Just as before, the Forecasts created would continue to be mutually competitive. However, prior to publication, their results would be compared and the identified differences would be discussed at a broader expert forum. Only after modifications, which would be left up to the autonomous discretion of those who have prepared the particular Forecasts, the results of the individual Forecasts would be separately published. The agreed standard form and content of the presentation would ensure that the results of the Forecasts would be easy to compare. This would deliver not only a better quality (reliability) of the prognostic outputs but also their temporal and factual comparability.
- We suggest preparing the Forecasts and the Reports on the basis of a statutory provision or request (assignment) and with financial support from the Government of the Czech Republic.
- The revision process of the RAT setup would be factually guaranteed, contracted and coordinated by the Ministry of Labour and Social Affairs (MoLSA).

- The Report would be submitted to the Government of the Czech Republic through the MoLSA, as its factual guarantor, for a mandatory discussion, irrespective of whether or not the value of the control parameter for some of the generations of the reference age category lies beyond the margins of 24-26%.
- Should the value of the control parameter for some of the generations of the reference age category lie beyond the margins of 24-26%, the Government of the Czech Republic, under its statutory duty, shall discuss and submit to the Chamber of Deputies of the Parliament of the Czech Republic for further deliberations, within a certain period passed from submitting the Report, a draft amendment to the Pension Insurance Act adjusting the RAT for all affected generations.
- Where the shift in the retirement age threshold between two neighbouring generations were to exceed 4 months, we suggest splitting such a shift value within a single generation. As a result, one part would become entitled to full old-age pension at a somewhat different age than the other part, or other parts, where applicable.
- The shift in the RAT for women with a different number of children than two would be by the same value as for women with two children until their RAT is equal to that of men.
- Under its statutory duty, the Chamber of Deputies of the Parliament of the Czech Republic would discuss the draft amendment to the Pension Insurance Act governing the change to the RAT and decide whether to proceed to the proposed or other adjustment of the RAT.
- We suggest setting out this entire process by Act No 155/1995 Coll., on Pension Insurance.

Justification: The period of receiving old age pension is an important parameter of any pension system, as it has a significant impact on its balance. To ensure that the system is stable in the long term, any extension of the period of receiving pension must be counterbalanced by lower replacement rates, higher contributions, lower merit principle or higher level of income poverty among pensioners. In the future, given the rise in the life expectancy when the RAT is reached as well as to a significant growth in the number of retired people, further increase in the RAT will not be avoided. On the other hand, this increase should be based rationally and be fair to the individual generations as far as possible.

According to current predictions and rough calculations, the current rate of extending the RAT should be maintained until 2044, i.e. for all generations born prior to 1978. At that time, the RAT for men and women would be 67 years irrespective of the number of their children. Afterwards, the RAT increase would probably decelerate and, for the generation of children born in 2010, the RAT should not exceed 69 years rather than 72.5 years according to the current legislation and current prognostic forecasts.

1.2 Sharing of the bases of assessment of married couples for claiming their pension rights

The purpose of the solution proposed is to ensure that both spouses receive fair pension by means of the common sharing of their basis of assessment for calculating the pension.

Description of the solution proposed:

- **Introducing the sharing of the bases of assessment of spouses, i.e. halving the combined basis of assessment between both partners.**
- Taking care of the administration through the annual records of claims to joint pension through personal pension insurance records of each of the spouses, including the application of excluded periods, thus allowing a stable and clear solution even in the current unstable family conditions. The sharing of the bases of assessment would be

terminated, for example, by a divorce or when either spouse retires. The common bases of assessment maintained in this way would not be included before the application for pension is submitted and the pension amount is calculated.

- In a marriage, the joint social insurance would be established automatically on a mandatory basis, similarly to the joint property of husband and wife. Analogically to this arrangement, the joint social insurance could be alternatively rescinded by a legal act on request by those concerned.

At the moment, the ECPR suggests using this measure only for persons living in a marriage and registered partnership.

2. Proposals under the pension savings system (what is known as Pillar II)

In early July 2014, the ECPR submitted to the Government the “**Proposal of the Method to Terminate the Pension Savings System**” for further discussion. This material contains and elaborates the public assumptions, outline and timetable of terminating the Pillar II of the pension system. Its full text is available at the ECPR website.²

3. Proposals under the supplementary pension savings system (what is known as Pillar III)

- 3.1 **Expanding the income tax exemption to include also pensions paid out** for a defined period if the pension is paid out for **at least 10 years**, in order to increase the motivation of participants to choose long-term rather than one-off pay-outs of the funds saved in Pillar III.
- 3.2 **Reducing the minimum age for participation** – making it possible to become a participant in a supplementary pension savings scheme without any age limitation (thus parents or grandparents will be allowed to arrange the savings scheme for their children or grandchildren respectively; this will also eliminate discrimination among financial products, increase the support for long-term savings in order to reach much higher pension savings as well as the education among the society in relation to supplementary pension savings).
- 3.3 **Increasing the limit on investing in standard collective investment funds from 35% to 40%** (today) of the value of assets in the participation fund and the limit on investing in special collective investment funds from 5% to 10% of the value of assets in the participation fund.
- 3.4 **The capital requirement concerning additional capital to cover the cash** not allocated to participation funds but paid or paid out for the benefit of the participants or upon return of the public contribution **should be replaced with the pension company’s obligation to keep such cash prior to allocating it to the relevant participation funds in current accounts, separately from the other cash intended for a different purpose**. In addition, it should be provided that such **cash will not fall within the pension company’s assets in the event of its bankruptcy** and the management if the participation funds are transferred should also be addressed.

² <http://duchodova-komise.cz/wp-content/uploads/2014/08/Návrh-způsobu-ukončení-důchodového-spoření-OK-pro-vládu.pdf> (In Czech.)

3.5 The established CNB's obligation to rescind a licence because of failure to meet existing statutory requirements should be changed **to the option for the supervisory body to consider this, while assessing the individual situation of the participation fund** (with no effect on the situation of the participation funds that will fail to meet statutory requirements now at the end of the year).

Activities of the ECPR and its public role

Throughout the time of its activities, the ECPR could rely on the ongoing efficient cooperation with staff of the MoLSA of the Czech Republic and of the MF of the Czech Republic, who prepared requested supported documents for it and actively participated in thematic discussions. It also worked with representatives of other public authorities and public institutions, with representatives of interest groups and professional organisations. It developed communication with the general public.

The period from April to June 2014 was primarily dedicated to the following activities:

- Preparing the documents governing its activities, i.e. its Mandate, Statute and Rules of Procedure;³
- Ensuring that representatives of the political parties represented in the Chamber of Deputies of the Parliament of the Czech Republic are nominated, as are social partners, representatives of interest groups, professional organisations and public authorities, with the subsequent nomination of ten permanent members – experts representing demographics, sociology and economics;
- Establishing the ECPR Secretariat;⁴
- Initial exposure of key topics initialising the context of activities of the ECPR (summary of pension systems abroad, public information on the development of the Czech pension system, discussion of the criteria by which the Committee will assess the solutions proposed);
- Establishing three task forces, focused on the key objectives defined for the ECPR by its Mandate, and holding their first meetings.

From July to December 2014, the work by ECPR was primarily carried out by the established task forces (hereinafter referred to as the “TFs”). The ECPR has approved some of their proposals after discussing and complementing them and is submitting them to the Government (see above).

Table: **Summary of ECPR task forces implementing the defined objectives under the ECPR Mandate.**

Abbreviation	Task force name	Implementation of objectives under the ECPR Mandate	Head of team	Proposals for the Government
TF1	Termination of Pillar II and setting the parameters of Pillar III	č. 3 – Termination of so-called Pillar II č. 5 – Form of	Vít Samek	2, 3.1 – 3.5

³ The Minister approved the final versions of all the three supporting documents by her Order No 9/2014 of 1 July 2014.

⁴ Petra A. Beránková, Markéta Havelková, Markéta Ročejdlová and Radovan Svoboda have become members of the ECPR Secretariat.

		supplementary pension systems		
TF2	Retirement age and adjustment of pensions	č. 1 – Setting the retirement age č. 2 – Pension indexation mechanism	Tomáš Kučera	1.1
TF3	Comprehensive system analyses, merit and transfers between people, family and the state	General objective: Comprehensive system analyses č. 4 – Boosting the merit principle č. 6 – Equalising the transfers among people, family and the state č. 5 – (partially) Form of supplementary pension systems	Otakar Hampl	1.2

At the conference of 13 November 2014, as part of the discussion with the general expert community, general topics related to the possible and desirable form of the pension system in the medium term were also raised. These alternative ideas, presented by distinguished experts, were confronted with the current progress of work on proposals prepared for the Government at the end of 2014.⁵

During 2014, ECPR Chairman (sometimes together with other ECPR members) led meetings with representatives of the following institutions:

- Ernst and Young
- University of Finance and Administration (VŠFS), Prague
- Technology Agency of the Czech Republic
- Financial Progress Group, a.s.
- Technology Centre of the Academy of Sciences of the Czech Republic (PACITA project)
- Seniors' Council of the Czech Republic
- Representation of the European Commission in the Czech Republic
- Centre for Economic Research and Graduate Education – Economics Institute (CERGE-EI) (SHARE project)
- European Commission (Joint fact-finding mission for the Czech Republic)
- Subcommittee for Social insurance Systems and Pension Reform of the Committee for Social Policy of the Chamber of Deputies of the Parliament of the Czech Republic.

Some of them offered outputs of their work to the ECPR and expressed interest to cooperate on a permanent basis.

Activities of the ECPR were financed from a budget heading of the MoLSA with a limit of CZK 1.5 million in 2014.

Meetings of ECPR and its task forces are held transparently, with all discussed materials and minutes of the meetings published on an ongoing basis.⁶ **The ECPR website** (www.duchodova-komise.cz) is divided into several sections. The latest information on

⁵ View http://www.duchodova-komise.cz/?page_id=1033 for details (in Czech).

⁶ View http://www.duchodova-komise.cz/?page_id=49 for details (in Czech).

activities of the ECPR is published in section “**Aktuality**” (**News**). Section “**Práce komise**” (**Committee’s Work**) includes published working materials of the ECPR, of all task forces, schedules of meetings, minutes of meetings, reports on activities, and information on specialised events. Section “**O komisi**” (**About Committee**) includes a list and presentation of ECPR members, the ECPR Mission, with its Mandate, Statute, Rules of Procedure, and information on cooperating institutions being available there for download. The “**Média**” (**Media**) section includes links to activities of the ECPR in media and its own press releases. The last section “**Pro veřejnost**” (**For the Public**) includes published life stories of people and their suggestions for the pension system changes, as well as answers to the most frequently asked questions. The website is used by ECPR members, as well as by media and the general public. The clarity of information provided as well as quickly provided updates are appreciated.

The ECPR is open and friendly to media. Each of its meetings is followed by a media briefing, regularly attended by the Czech TV, Czech Radio, as well as many other media, and it issues a press release. Media are very interested in the work by the ECPR. In addition to ECPR Chairman (briefings after ECPR meetings published by ČT 24 (public news television channel) and ČRo Radiožurnál (public radio station), the Czech TV shows Otázky Václava Moravce (debates with politicians and experts), Události – komentáře (detailed news and analysis programme), 168 hodin (current affairs programme), HydePark (talk show) and Studio ČT24 (continuous news coverage), interviews at ČRo Radiožurnál and Plus radio stations, full-page interviews in MF DNES, Právo and Blesk dailies as well as on Internet news servers), heads of task forces Vít Samek, Tomáš Kučera and Otakar Hampl as well as other ECPR members – most frequently Jaroslav Vostatek, Vladimír Bezděk and Patrik Nacher – presented their views on the ECPR activities. This stimulates a nationwide debate on relevant topics of the pension reform, rectifies the mistakes and misinterpretations occasionally occurring in media, and consequently improves the public awareness of the pension system.

Once the ECPR started its activities, people were very interested in its activities. In the first stage, this included tens of written materials and structured proposals, which were mostly addressed straight to the ECPR Chairman. After the ECPR websites were created and the media reported on its expert conclusions and individual meetings, people started to send specific questions to the ECPR Secretariat, concerning the measures proposed or those that had only been considered at working discussions so far. The content of suggestions from the public changed from structured and often really useful reform suggestions to specific questions, whether concerning directly the professional duties of the Expert Committee or pension issues in general, which are up to the Secretariat of the Expert Committee on Pension Reform to answer.

The key topics of the questions concerning specific proposals arising from the Committee meetings included, for example, the possibilities of using the cash of the participants in Pillar II of the pension savings system and a proposal for the voluntary joint social insurance contributions by married couples and partners. The topics that have interested the general public most in the long term include the retirement age threshold and the calls for advantages for individual groups of the population (women, physically and psychologically arduous professions) under the public pension insurance (Pillar I).

The reform suggestions that reoccur and are submitted by people to the extent that requires increased attention include, in particular, across-the-board and equal adjustment of pensions, compensation of lower pensions paid out to women, and earlier retirements for people who

have worked in arduous professions for a long time. Furthermore, calls for taking account of the number of children brought up also occur repeatedly.

Comments from experts as well as the general public, at the level of structured valuable suggestions for the pension insurance reform, are subsequently **published at ECPR websites** with consent from their authors.⁷

Most ECPR members deal with their activities responsibly. Yet it becomes evident that, to accomplish the challenging assignment by the Government, better analytical and prognostic supporting documents will be required for the preparation of their proposals in the form of a more broadly based applied social science research. Hence experts – permanent members of the ECPR – have agreed on establishing a **research consortium**, which prepares suggestions **to reinforce so much needed research in the area concerned.**

The last ECPR meeting of 11 December 2014 showed that **the text of Section 12(2) of the ECPR Rules of Procedure**, on the methods of finding a majority consensus among permanent members where a consensual position cannot be reached, would have to be made stricter.

Continued work by the ECPR in 2015

Many more suggestions that were not further discussed or their discussion has not yet led to clear conclusions and recommendations were made in the course of the existing meetings of the ECPR and its task forces. We are going to revisit them gradually during 2015.

As part of the public pension insurance system (what is known as Pillar I)

this will include in particular:

- Alternatives of the existing pension adjustment mechanism or, where appropriate, suggesting a new adjustment method.
- Analysis of the conditions of awarding pensions, including the possibility of expanding them according to specific life circumstances, reduced RAT for selected occupation categories and, where applicable, service pensions for years of service, or taking account of arduous professions with a possibility of an earlier retirement by increasing the insurance contributions.
- Equalising the insurance contributions by the parameter-setting of payments with regard to merits of families with children.
- Equalising the insurance contributions by the parameter-setting of payments with regard to selected groups at risk of poverty – notably young graduates and workers at a pre-retirement age (50+).
- Protection of self-employed individuals from falling into poverty after they retire by increasing their contributions in the public pay-as-you-go social insurance system.
- Taking account of the costs associated with care of children in the pension amount – in a way, the measure is supported by most political parties – however, a substantial agreement still lacks in the expert discussion as to whether to address this measure by the direct assignation from children to their retired parents, or by a similar measure with a high correlation of the merit through the increased merit-based percentage component for the children brought up.

⁷ View http://www.duchodova-komise.cz/?page_id=45 for details

- Promoting earlier returns of mothers to work through a reduced insurance contribution rate for employers in conjunction with part-time arrangements and other family policy measures.
- Introducing the 'children's allowance' for non-working pensioners who look after dependent children, as these persons cannot benefit from income tax credit.
- Analysing and proposing a solution to widow's and widower's pensions (inter alia in connection with sharing the bases of assessment of married couples).
- Setting the assessment retirement age (opening the possibility of retiring earlier than determined by the retirement age threshold without penalisation, based on health assessment).
- Addressing the situation of the unemployed who demonstrably lack money to pay voluntary social insurance contributions in the long term.
- Using the instrument of interest-free loans and extending the possibility of paying the insurance contributions ex post.
- Assessing the possible changes of paying social insurance contributions or modifications to pensions paid out to working old-age pensioners.
- Introducing the records of social insurance contributions for those whose insurance is paid by the state.
- Mitigating the previous injustice as concerns low pensions of mothers who have brought up several children.⁸

As part of the supplementary pension savings system (what is known as Pillar III)

- **Reducing the threshold of eligibility to state contribution** for participants in the supplementary pension savings schemes **at the age from birth to 26 years** from CZK 300 to CZK 100.
- **Unifying the limit on tax credit for employer's contribution** (CZK 30,000 a year) **and participant's contribution** (CZK 12,000 a year), preferably by increasing this common limit to CZK 50,000 (double the average wage). In effect, this would mean that the employer may contribute up to CZK 50,000 a year. The participants (employees, self-employed individuals) may deduct the amount of the contribution paid by them (reduced as defined in the paragraph below), reduced by employer's contribution, from the tax base.
- **Modification of the participant's calculation for a deduction from the tax base.** Now it is the contribution paid by the participant and reduced by CZK 12,000, while newly it would be the contribution paid by the participant and reduced by the participant's contributions for which a state contribution was claimed (plus a reduction by employer's contribution if the limit were unified according to the foregoing paragraph). The existing rules, when CZK 12,000 a year is always deducted from the contribution paid by the participant, put at a disadvantage those participants who pay contributions lower than CZK 1,000 during the year (thus failing to make use of the full state contribution) but, for the tax relief purposes, they are presumed to make use of it. For example, a client with a monthly contribution of CZK 500 receives an annual state contribution of CZK 1,560 but if the participant made an extraordinary contribution of CZK 6,000 in December (December's total contribution would be CZK 6,500), the participant would obtain neither the state contribution nor the tax support for a portion of the participant's contribution of CZK 5,500.
- **Taking account of the participants' children** after the fashion of the Riester Pension used in Germany.

⁸ For further suggestions, see <http://www.duchodova-komise.cz/wp-content/uploads/2014/09/Identifikované-návrhy-možných-opatření-na-úpravy-a-změny-v-rámci-důchodového-systému-4.-září-2014.pdf>

Broader context of the pension reform

While the pension system is the most important as concerns the size of its financial transfers, it is not at all the only component of the welfare state. Apart from its primary function – providing income to people after they grow old – it covers (whether by law or as a matter of fact) some other social functions (such as the subsistence of survivors or disabled persons, or covering the risky periods of unemployment closely before reaching the retirement age). The combined institutional and functional overlapping of the systems of social insurance, state social support, social assistance, employment policy, family and population policy, and health policy is a complicated network of interactions, dependencies, synergies and inhibitions that, under otherwise identical circumstances, increases the risk of occurrence of dysfunctions, suboptimal form of their regulation, and subsequently noticeable losses of their comprehensive social effect. Moreover, the pension system, in addition to its primary social functions, has its important economic functions. It provides for the most massive redistribution through public budgets, thus influencing the purchasing power demand of the population. The public pension insurance is vitally dependent on the system of payments to the mandatory social insurance system and, in recent years, also on other state budget income increasingly. A question has been repeatedly raised at ECPR meetings as to whether time has come to **switch from the system of mandatory social insurance to a social security system**. Such a system would better correspond to the actual condition of the multi-source funding of the pension system, would streamline the existing system of social insurance payments and tax collection, and open the door to a reduction of labour taxation and consequently to improved demand for labour. However, this would not only imply a significant intervention into the way of managing and financing the pension system but also involve corresponding changes in the tax structure, including the necessary legislative changes. Where dealing with these issues exceeds the mandate of the ECPR, the ECPR is going to initiate the establishment of appropriate analytical and consultancy platforms at the level of the Government or individual Ministries, while being ready to participate in their activities by its expertise in pension system.

Apart from this context, more topics emerged during the discussions:

- Interlinking the pension system savings, as a result of increasing the retirement age threshold and, where applicable, parameter changes (such as the minimum years of service), with expenditure on the other components of the social and health systems.
- Success of people at a pre-retirement age on the labour market, with the increased retirement age threshold to be reflected in the development of employment of older people.
- Prediction of the real latitude for increasing the share of paid pensions in relation to GDP in the context of future adjustments.
- Overall solution to the equalisation of transfers and to the fair position of families and children in society beyond the scope of the pension system, and the targeted population role as part of a long-term coherent solution to the family policy.
- Coherent solution to the situation of various vulnerable groups of households.

Annex 1: List of members of the Committee of Pension Reform Experts

Political representatives – permanent membership				
Academic title	First name	Surname	Institution	Alternate
Ing.	Jan	Bartošek	KDU-ČSL	Mgr. Ing. Jan Kasal
Ing.	Adolf	Beznoska	ODS	Lenka Kohoutová
	Jana	Hnyková	ÚSVIT	Olga Havlová
Ing.	Miroslav	Kalousek	TOP 09	MUDr. Jitka Chalánková
Ing.	Radka	Maxová	ANO	Jaroslava Jermanová
RSDr.	Miroslav	Opálka	KSČM	
Mgr.	Roman	Sklenák	ČSSD	

Experts – permanent membership				
Academic title	First name	Surname	Institution	Alternate
prof. PhDr., CSc. MSc.	Martin	Potůček	FSV UK	
Ing., Ph.D.	Otakar	HAMPL	Ministry of Agriculture	
RNDr., CSc.	Tomáš	Fiala	VŠE, Department of Demography	
PhDr.	Vladimír	Špidla	Office of the Government	Marek Ondroušek
prof. Ing., CSc.	Jaroslav	Vostatek	VŠFS	
Ing., CSc.	Jaroslav	Šulc	ČMKOS	
Doc. Ing., Ph.D.	Lucie	Kozlová	University of South Bohemia	
Ing.	Jiří	Dolejš	KSČM	
doc. Ing. Ph.D.	Daniel	Münich	CERGE-EI	
RNDr., CSc.	Tomáš	Kučera	PřF UK	

Social partners – permanent membership				
Academic title	First name	Surname	Institution	Alternate
JUDr.	Vít	Samek	ČMKOS	
	Vladislav	Vokoun	ASO	Ing. Miroslav Jára
Ing.	Jitka	Vítková	KZPS	Jiří Horecký
Ing.	Pavel	Juříček	SP	Jitka Hejduková

Interest groups, professional organisations – associate membership				
Academic title	First name	Surname	Institution	Alternate
Mgr.	Filip	Král	ČAP	
Ing., M.A.	Vladimír	Bezděk	APS	
Dr.	Zdeněk	Pernes	Czech Seniors' Council	
Mgr., Ph.D.	Radka	Dudová	Czech Women's Lobby	Lada Wichterlová
JUDr.	Jan	Hutař	NRZP ČR	
PhDr. Ing.	Marie	Oujezdská	NCPR	Mgr. Petra Michalová

Representatives of public administration and public institutions				
Academic title	First name	Surname	Institution	Alternate
JUDr.	Jiří	Biskup	MoLSA	
Ing., MBA	Tomáš	Machanec	MoLSA	
Ing.	Jan	Škorpík	MoLSA	
Ing.	Radek	Urban	MF	
JUDr.	Jiří	Beran	MF	previously Michal Franěk
Ing.	Aneta	Karlíková	MF	
Mgr.	Irena	Kubátová	MF	
JUDr., Ph.D.	Jana	Herboczková	MF	
Ing.Bc.	Marcel	Pitterling	MF	
JUDr., Ph.D.	Martin	Pros	MF	
Ing.	Jiří	Kubišta	MF	
prof.JUDr., Ph.D.	Vilém	Kahoun	ČSSZ	
JUDr.	Jana	Laumannová	ČSSZ	
Mgr.	Pavel	Krejčí	ČSSZ	
JUDr.	Eliška	Volfová	ČSSZ	
Mgr.	Kryštof	Zrcek	ČSSZ	
Ing.Mgr.	Radim	Bláha	GFŘ	
Ing.	Petr	Vrána	GFŘ	
Mgr., Ph.D.	Anna	Šabatová	Ombudsman	Mgr. Jitka Černá
Mgr.	Terezie	Štyglerová	ČSÚ	Josef Škrabal
Ing.	Petr	Staněk	CNB	
Ing.	Zdeněk	Čech	ECPR	

Invited experts				
Academic title	First name	Surname	Institution	Alternate
Mgr., Ph.D.	Jaromír	Baxa	FSV UK	
PhDr.	Petr	Hedbávný	FSV UK	
JUDr.	Zdeněk	Linhart	Minister's advisor	
Ing.	Patrik	Nacher	Bankovní poplatky.com	
RNDr., MBA	Karel	Pelán		
Mgr.	Veronika	Rudolfová	FSV UK	
RNDr.	Pavel	Rusý		
Ing.	Jiří	Šatava	CERGE-EI	
doc., CSc.	Radim	Valenčík	VŠFS	
Ing.	Miroslav	Zámečník	Boston Venture	
Ing.	Jan	Kaisrlík	Český Aeroholding, a.s.	
RNDr., CSc.	Jiří	Schlanger		

ECPR Secretariat				
Bc.	Radovan	Svoboda		
Bc.	Markéta	Ročejdlová		
Mgr.	Petra A.	Beránková		
Bc.	Markéta	Havelková		

Abbreviations in tables:

ANO – political movement (member of the ruling coalition)
 APS – Association of Pension Funds of the Czech Republic
 ASO – Association of Independent Trade Unions of the Czech Republic
 CERGE-EI – Centre for Economic Research and Graduate Education – Economics Institute
 ECPR – Committee of Pension Reform Experts
 ČAP – Czech Insurance Association
 ČMKOS – Czech-Moravian Confederation of Trade Unions
 CNB – Czech National Bank
 ČSSD – Czech Social Democratic Party (member of the ruling coalition)
 ČSSZ – Czech Social Security Administration
 ČSÚ – Czech Statistical Office
 FSV UK – Faculty of Social Sciences of Charles University
 KDU-ČSL – Christian and Democratic Union – Czechoslovak People’s Party (member of the ruling coalition)
 KSČM – Communist Party of Bohemia and Moravia
 KZPS – Confederation of Employer and Business Associations of the Czech Republic
 MF – Ministry of Finance
 MoLSA – Ministry of Labour and Social Affairs
 NCPR – National Centre for Family
 NRZP ČR – Czech National Council of People with Disabilities
 ODS – Civic Democratic Party (opposition)
 PřF UK – Faculty of Science of the Charles University
 SP – Confederation of Industry
 TOP 09 – opposition political party
 ÚSVIT – opposition political movement
 VŠE – University of Economics, Prague
 VŠFS – University of Finance and Administration

Annex 2: Summary of meetings of the ECPR and its task forces

The Expert Committee on Pension Reform met a total of ten times in 2014. After its frequent initial meetings (which were necessary for establishing the principles of cooperation), the meetings were held approximately once a month. The table below shows a list of all dates of the ECPR meetings held in 2014. The meetings usually took two hours.

Dates of the meetings of the Expert Committee on Pension Reform	
Date	Meeting
13 May 2014	Initial meeting of the ECPR (13:00)
20 May 2014	Narrower meeting of political representatives (7:30)
22 May 2014	2nd meeting of the ECPR – discussion on how to terminate Pillar II (13:00)
4 June 2014	3rd meeting of the ECPR – discussion on how to terminate Pillar II

	(13:00)
19 June 2014	4th meeting of the ECPR – discussion on the criteria of individual pillars, task forces (13:00)
3 July 2014	5th meeting of the ECPR – discussion on pension system change indicators (13:00)
3 July 2014	Narrower meeting of political representatives (15:00)
31 July 2014	6th meeting of the ECPR (13:00)
4 September 2014	7th meeting of the ECPR (13:00)
23 October 2014	8th meeting of the ECPR (13:00)
6 November 2014	9th (extraordinary) meeting of the ECPR (13:00)
11 December 2014	10th meeting of the ECPR (13:00) – discussion on proposals from task forces to be submitted to the Government of the Czech Republic

Meetings of the task forces of the Expert Committee on Pension Reform in 2014	
Date	Meeting
19 June 2014	Initial meeting of TF1 (15:00)
26 June 2014	Initial meeting of TF3 (13:00)
26 June 2014	Initial meeting of TF2 (14:30)
3 July 2014	2nd meeting of TF3 (9:00)
3 July 2014	2nd meeting of TF1 (11:00)
10 July 2014	3rd meeting of TF3 (10:00)
10 July 2014	2nd meeting of TF2 (13:00)
17 July 2014	3rd meeting of TF1 (11:00)
17 July 2014	4th meeting of TF3 (13:00)
31 July 2014	3rd meeting of TF2 (9:00)
31 July 2014	5th meeting of TF3 (10:00)
31 July 2014	4th meeting of TF1 (11:00)
14 August 2014	4th meeting of TF2 (9:00)
14 August 2014	5th meeting of TF1 – a meeting with Prof. Gerloch on constitutional risks of terminating the Pillar II (11:00)
14 August 2014	6th meeting of TF3 (13:00)
21 August 2014	6th meeting of TF1 (11:00)
21 August 2014	5th meeting of TF2 (13:00)
28 August 2014	7th meeting of TF3 (13:00)
4 September 2014	8th meeting of TF3 (9:00)
4 September 2014	6th meeting of TF2 (11:00)
4 September 2014	7th meeting of TF1 (15:00)
11 September 2014	8th meeting of TF1 (13:00)
18 September 2014	7th meeting of TF2 (9:00)
18 September 2014	9th meeting of TF3 (13:00)
18 September 2014	9th meeting of TF1 (15:00)
25 September 2014	8th meeting of TF2 (13:00)
25 September 2014	10th meeting of TF3 (15:00)
9 October 2014	10th meeting of TF1 (9:00)
9 October 2014	11th meeting of TF3 (15:00)
23 October 2014	11th meeting of TF1 (15:00)
30 October 2014	9th meeting of TF2 (13:00)
6 November 2014	10th meeting of TF2 (10:00)
6 November 2014	12th meeting of TF3 (15:00)

27 November 2014	11th meeting of TF2 (10:00)
27 November 2014	12th meeting of TF1 (12:00)
27 November 2014	13th meeting of TF3 (15:00)
4 December 2014	14th meeting of TF3 (16:00)
11 December 2014	12th meeting of TF2 (11:00)

Thus a total of 38 task force meetings took place in 2014. Activities of the individual teams were much the same. Task force 1 met twelve times, task force 2 also twelve times, and task force 3 even fourteen times. The dates of the meetings were arranged on an ongoing basis, with regard to current progress of work. The graph below summarises the quantity of meetings in 2014.

