

Mandate of the Expert Committee on Pension Reform

Preamble

The pension reform is one of the topics, which undoubtedly belongs to the most important societal priorities. The Expert Committee on Pension Reform shall endeavour to provide materially supported proposals for solutions that shall respect the objectives and purpose of the pension system in compliance with this Mandate, at the same time as balancing the interests of all affected groups of citizens.

Introduction

The Expert Committee on Pension Reform (hereinafter referred to as the "Expert Committee") shall undertake to conduct an assessment of the state of the Czech pension system in an interdisciplinary perspective and prepare a widely shared proposal on the continuation of pension reform in the Czech Republic so as to ensure a dignified income to pensioners and ensure long-term stable structure and financial sustainability of the pension system in the outlook of future decades.

The Expert Committee is formed with the purpose of finding a broad consensus on the future direction of the pension system. Therefore, experts in economics, sociology and demography, representatives of coalition and opposition parties represented in the Chamber of Deputies of the Parliament of the Czech Republic, social partners, the Czech National Bank, the Czech Statistical Office and relevant civic and professional unions and associations shall become members of the Expert Committee.

General Framework of the Debate

The Expert Committee shall conduct an open and constructive debate on the optimal direction of the pension system, which shall result in a proposal of its future form.

The Expert Committee shall propose, assess and subsequently recommend changes to the pension system, which shall ensure adequate and dignified pensions, strengthening of the principle of merit, settlement of transfer between the family and society and principles of setting the retirement age.

Meetings of the Expert Committee shall be as transparent as possible. The status of debate, requirements of the Expert Committee of specialised units of ministries and other state administration bodies, interim reports, documentation and proposals directed towards political decisions shall be published on an ongoing basis.

Final output and recommendations shall be presented in the form of final reports. Final reports of the Expert Committee shall include proposals for specific changes, with the addition of a description of examined areas together with an analysis of the impacts that will serve the defence of proposals. These proposals shall be adopted on the basis of consensus, or in exceptional cases based on the consensus of majority of its permanent members.

1 / 3

Basic Objectives

The main objective of the Expert Committee shall be to prepare a comprehensive and interrelated set of specific proposals to change the pension system in a broader social and economic context (including possible amendments to the system of taxation of labour in the field of social insurance), which shall bring stable solutions over time in the areas that the Expert Committee will focus on (see Specific Objectives and Tasks for the Expert Committee). Maximum effort shall be developed to find consensual solutions to strengthen social cohesion. Solutions shall be established so that the relevant laws come into force by no later than 1 January 2017, respectively 1 January 2016 in terms of Objective No. 3. At the same time, the recommended comprehensive set of proposals must also respect their administrative feasibility, i.e. the readiness of the entities concerned also to 1 January 2017, respectively 1 January 2016 for Objective No. 3 (in urgent and justified cases, subject to possible *vacatio legis*). The recommended comprehensive set of proposals must meet the two main aspects of the pension system, i.e. to ensure a dignified standard of living to retirees and strengthen the principle of merit. For this purpose, the Expert Committee shall prepare an analysis of the impact of all proposals and the entire comprehensive set on the recipient of benefits, on individual types of families and households, and on the state budget.

The proposed amendments must respect the international obligations of the Czech Republic arising from ratified conventions and codes. The comprehensive set proposals of amendments must also take into account the obligations arising from membership in the European Union, particularly the obligations of the Czech Republic within the European Semester and the objectives of the strategies of Europe 2020.

An indispensable objective of the Expert Committee in making proposals for changes to the pension system is finding broad support across the political spectrum, even with expert community.

Specific Objectives and Tasks for the Expert Committee

Retirement age: At present, legislation determines the increase of the statutory retirement age without restrictions. In addition, there is also a gradual unification of the retirement age for men and women. The Expert Committee shall deal with setting up this process and its thorough revision, in particular the possibilities how to perform regular revisions of the setting of the retirement age.

Expert Committee Objective No. 1: Propose a specific mechanism, whereby regular evaluation of the setting of the retirement age shall be performed.
--

Pension indexation: This task is related to the more general field of ensuring adequate and dignified pensions. The corresponding adjustment of the amount of pensions, thus the development of the indexation mechanism, fundamentally affects the standard of living for

pensioners. Moreover, the role of indexation to protect against the risk of poverty and to guarantee minimum income in old age is also significant.

Expert Committee Objective No. 2: Propose such a form of indexation mechanism that ensures a proportional and dignified amount of pension for the entire duration of its payment.

2 / 3

Termination of the system of pension savings: An assessment of the functioning of the existing pension savings system shall be carried out, as well as an analysis of the impacts and risks of different variants of termination of the system.

Expert Committee Objective No. 3: Propose a specific way to end the system of pension savings.

The degree of merit: Retirement fulfils a dual role, namely the protection of income from falling into poverty on the one hand, and maintaining the existing standard of living on the other hand. Strengthening the principle of merit in the pension system must not be achieved at the expense of its joint solidarity function, in particular, the weakening of protection against poverty in old age.

Expert Committee Objective No. 4: Propose such a setting of system parameters, that will lead to strengthening the principle of merit without having a negative impact on protection against poverty among the population of retirees.

Form of supplementary pension systems: The effectiveness of existing state aid of supplementary pension systems shall be analysed with regard to their motivational function for obtaining a regular income at retirement age and taking into account the abilities of individual types of families and households.

Expert Committee Objective No. 5: Propose changes to the parameters of supplementary retirement systems, mainly in the provision of state aid with the objective of motivating towards the creation of long-term savings for retirement and to use for the payment of regular pensions, and with regard to the possibilities of individual types of families and households.

Settlement of transfer between citizens, families and the state: The form, amount and structure of existing transfers mediated by the pension system between various types of citizens, families and households on the one hand, and the state on the other hand with an emphasis on their fairness, adequacy and effectiveness, shall be analysed.

Expert Committee Objective No. 6: Propose such a form of transfer between citizens, families and the state mediated by the pension system, which shall ensure a balanced and generally accepted position of all types of households.