

## Proposals Submitted by the Expert Committee

### Proposals reflected in adopted acts

#### Proposals implemented under the basic pension insurance (Pillar I)

1. Proposal of the revision system for setting the retirement age threshold.
2. Stipulating the minimum adjustment of percentage assessments of pensions according to consumer price index (living costs) of households. Should this index have a value lower than the consumer price growth index (living costs) of pensioner households, the minimum adjustment of the percentage assessment of pensions will use the consumer price growth index of pensioner households.
3. The determined minimum adjustment of an average old-age pension represents the amount, by which the basic assessment of pension will increase, plus the amount, by which the percentage assessment of pension will increase, amounting to the sum of the determined consumer price growth plus one half of the real wage growth.

**Implementation: Reflected in Act No. 203/2017 Coll., amending Act No. 155/1995 Coll., Pension Insurance Act, as amended, and other related acts; published in the Collection of Laws on 12 July 2017.**

#### **First indent:**

- s. 29 (4), s. 32 (2), s. 32 (3), s. 38 and s. 61a (1) of Act No. 155/1995 Coll., Pension Insurance Act, as amended (hereinafter referred to as "PIA") + new wording of Annex to PIA;
- amendment to the title of Part II, new s. 4a and s. 10b of Act No. 582/1991 Coll., on the organisation and implementation of social security, as amended;
- s. 271b (6) and s. 271h (1) of Act No. 262/2006 Coll., Labour Code.

**Second and third indents:** s. 67 (6) and (8) of PIA: "The determination of the amount of the increase in pensions shall reflect not only the rise in prices for households in total, but also the rise in prices for households of pensioners, provided that the more favourable option shall be applied (so far only the rise in prices for households in total has been considered); the increase in pensions shall reflect one half of the real wage growth (so far one third of real wage growth has been considered)."

#### Proposals implemented under the pension savings system (Pillar II)

- Proposal of a method to end the pension savings system in order to minimise both the risk of litigation and the cost and administrative burden for the state administration, pension companies and participants in the scheme.

**Implementation: Reflected in Act No. 376/2015 Coll., on Termination of the pension savings system; published in the Collection of Laws on 28 December 2015.**

#### Proposals implemented under the supplementary pension savings system (Pillar III)

- Extending the income tax exemption to include also pensions paid out for a period of at least 10 years.
- Reducing the minimum age for the participation from 18 to 0 years.
- Increasing the limit for collective investment in standard funds from 35 to 40 % (finally increased to 60%) and in special funds from 5 to 10 % (finally increased to 20 %) of the value of assets in the participation fund.
- Obligation of banks to hold funds disbursed to participants separated from other funds. These funds do not belong to the bankruptcy estate in case of insolvency of the pension company.

**Implementation: Reflected in Act No. 377/2015 Coll., amending certain Acts in relation to the adoption of the Act on termination of the pension savings system; published in the Collection of Laws on 28 December 2015.**

**First indent:** Part V, Amendment to the Income Tax Act, Article V. s. 4 (1)(I),

**Second indent:** Part XXVI, Amendment to the Act on Supplementary Pension Savings, Article XXIX (2),

**Third indent:** Part XXVI, Amendment to the Act on Supplementary Pension Savings, Article XXIX s. 105 (2) and (3),

**Fourth indent:** Part XXVI, Amendment to the Act on Supplementary Pension Savings, Article XXIX s. 47a.

### **Proposal approved by the Government and referred for discussion to the Parliament of the CR**

#### **Proposal under the basic pension insurance (Pillar I):**

- Differentiation of rates of insurance payments for families with children.

**Implementation: On 5 April 2017, the Government approved the Bill to amend Act No. 589/1992 Coll., on social security insurance and state employment policy contributions, as amended, Act No. 582/1991 Coll., on the organisation and implementation of social security, as amended, and other related acts. The Bill has been referred to the Chamber of Deputies of the Parliament of the Czech Republic for discussion as the Parliament document no. 1096.**

### **A proposal, the negotiation of which was interrupted at the level of the Ministry of Labour and Social Affairs (MoLSA)**

#### **A proposal under the basic pension insurance (Pillar I):**

- Sharing the assessment bases of spouses for the exercise of pension entitlements through halving the combined assessment base between both spouses.

*The Ministry of Labour and Social Affairs made a very detailed analysis of the factual proposal with respect to the suggested introduction of an institute of sharing of the*

*assessment bases within the basic pension insurance. However, the implementation of the plan would require solving some fundamental problems and situations, which upon the present form of processes and information systems would make this plan rather complicated. Substantive issues include, for example, the issue of certain situations that could occur during the treatment of substitute insurance periods, which are excluded at the same time. Solving such situations would be very complex or impossible even under the current set up of processes and information systems and the resulting effect would bring only partial limited effects without further system changes. Therefore the work on this project was interrupted in October 2015. However, this plan as such has not been abandoned fully. Future considerations could be focused on either some partial and simpler options or, on the other hand, an option involving more complex changes related to the optimisation and electronisation of administrative processes and further developments of the information systems.*

**A proposal elaborated and submitted to the Prime Minister of the Czech Republic based on his request on 15 May 2017**

**Proposal under the basic pension insurance (Pillar I):**

***Implementation: The document “Finding a more balanced way of adjusting pensions”, which contained two options for reducing the dependence of the absolute amount of the adjustment on the current pension amount.<sup>1</sup>***

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<sup>1</sup> The proposal was prepared by the task force 2, see <http://www.duchodova-komise.cz/wp-content/uploads/2017/06/Hledání-vyváženějšího-způsobu-valorizace-19.-dubna-2017.pdf>.

## Summary of proposals submitted by the Expert Committee

Proposal	Pillar	Implementation	Act
revision system for <b>setting the retirement age threshold</b>	I.	reflected in the adopted Act	<i>Act No. 203/2017 Coll., amending Act No. 155/1995 Coll., Pension Insurance Act, as amended, and other related acts; published in the Collection of Laws on 12 July 2017</i>
amended determination of the <b>minimum adjustment of the percentage assessment of pensions</b>	I.	reflected in the adopted Act	
amended determination of the <b>minimum adjustment of the average pension</b>	I.	reflected in the adopted Act	
method of <b>ending the pension savings system</b>	II.	reflected in the adopted Act	<i>Act No. 376/2015 Coll., on termination of the pension savings system; published in the Collection of Laws on 28 December 2015</i>
extending the <b>income tax exemption to include also pensions</b> paid out for a period of at least 10 years	III.	reflected in the adopted Act	<i>Act No. 377/2015 Coll., amending certain Acts in relation to the adoption of the Act on termination of the pension savings system; published in the Collection of Laws on 28 December 2015</i>
reducing the <b>minimum age</b> for the participation from 18 to <b>0 years</b>	III.	reflected in the adopted Act	
<b>increasing the limit for collective investment</b> in standard funds	III.	reflected in the adopted Act	
<b>obligation of banks to hold funds</b> disbursed to participants <b>separately</b>	III.	reflected in the adopted Act	
<b>differentiation of rates of insurance payments</b> for families with children	I.	adopted by the Government, referred to the Chamber of Deputies of the Parliament of the CR	<i>Bill (amending Act No. 589/1992 Coll. and Act No. 582/1991 Coll.) has been referred to the Chamber of Deputies of the Parliament of the Czech Republic for discussion as the Parliament document no. 1096.</i>
<b>sharing the assessment bases of spouses</b> for the exercise of pension entitlements	I.	the discussion was interrupted at the level of the	-

		Ministry of Labour and Social Affairs (MoLSA)	
two options for <b>reducing</b> the dependence <b>of the absolute amount of the adjustment on the current pension amount</b>	I.	submitted to the Prime Minister	-