

CZECH REPUBLIC



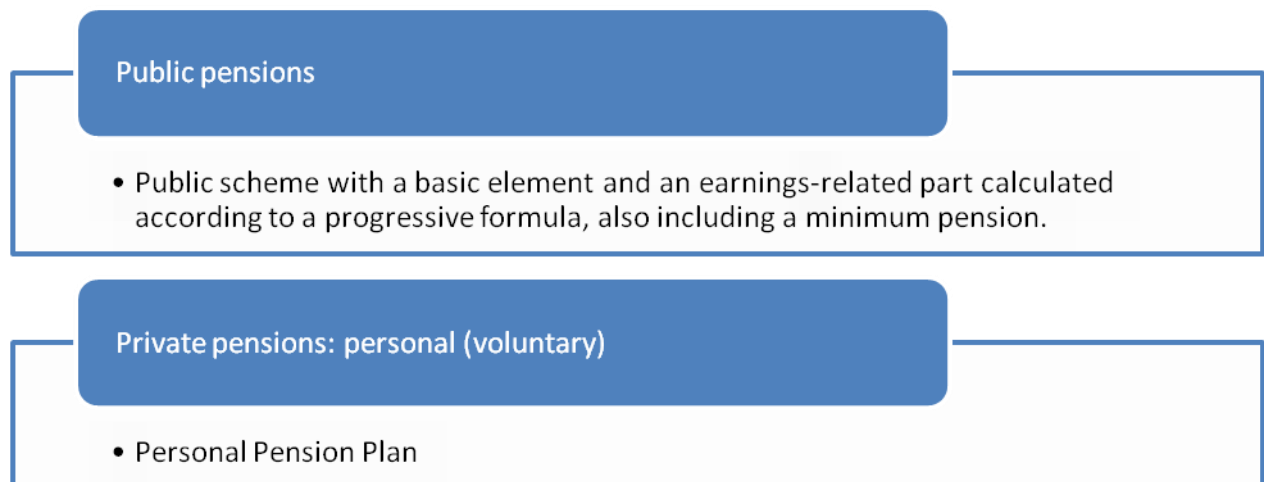
DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	3 688.9
GDP per capita (USD)	20 719
Population (000s)	10 430
Labour force (000s)	5232
Employment rate	95.6
Population over 65 (%)	14.7
Dependency ratio ¹	29.3

Data from 2008 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM



Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007	2008
Assets								
Total investments (National currency millions)	53,377	67,206	80,223	99,803	123,417	145,948	167,197	191,715
Total investments, as a % of GDP	2.27	2.73	3.11	3.55	4.14	4.53	4.73	5.20
Of which Assets overseas, as a % of Total investment:								
• Issued by entities located abroad	4.45	4.80	12.59	16.09	ND	ND	ND	15.63
• Issued in foreign currencies	ND	ND	ND	11.60	ND	ND	ND	7.19
By financing vehicle (as a % of Total investments)								
• Pension funds	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
• Book reserves	NA	NA	NA	NA	NA	NA	NA	NA
• Pension insurance contracts	NA	NA	NA	NA	NA	NA	NA	NA
• Other financing vehicle	NA	NA	NA	NA	NA	NA	NA	NA
By pension plan type								
• Occupational assets	NA	NA	NA	NA	NA	NA	NA	NA
• % of DB assets	NA	NA	NA	NA	NA	NA	NA	NA
• % of DC (protected and unprotected) assets	NA	NA	NA	NA	NA	NA	NA	NA
• Personal assets	53,377	67,206	80,223	99,803	123,417	145,948	167,197	191,715
Structure of Assets (as a % of Total investments)								
Cash and Deposits	3.96	5.20	7.90	9.61	8.21	6.40	9.56	8.06
Fixed Income	83.90	85.65	84.88	82.96	80.31	79.35	75.24	78.89
Of which:								
• Bills and Bonds issued by the public and private sector	83.90	85.65	84.88	82.96	80.30	79.34	75.24	78.89
• Loans	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Shares	7.33	6.39	4.90	5.51	7.48	9.89	5.87	2.99
Land and Buildings	0.74	0.61	0.40	0.33	0.92	1.07	0.72	0.88
Other Investments	4.07	2.15	1.91	1.60	3.08	3.30	8.62	9.19
Contributions and Benefits								
Total Contributions, as a % of GDP	0.51	0.54	0.57	0.58	ND	ND	0.98	0.84
• Employer Contributions, as a % of Total contributions	16.12	18.16	19.16	19.30	ND	ND	15.20	19.69
• Employee Contributions, as a % of Total contributions	83.88	81.84	80.84	80.70	ND	ND	71.25	80.31
Total Benefits, as a % of GDP	0.19	0.21	0.23	0.19	ND	ND	0.26	0.33
• % of benefits paid as a Lump sum	98.05	97.93	97.47	96.44	ND	ND	96.45	98.48
• % of benefits paid as a Pension	1.95	2.07	2.53	3.56	ND	ND	3.55	1.52
Membership (in thousands of persons)¹								
Total membership	2,561	2,649	2,777	3,007	3,280	3,594	3,962	4,449
• % of Active membership	98.95	98.97	98.67	98.56	ND	ND	ND	95.77
Of which: % of Deferred membership	0.04	0.04	0.05	0.09	ND	ND	ND	0.19
• % of Passive membership	1.05	1.03	1.33	1.44	ND	ND	ND	4.23
Other beneficiaries	223	242	233	171	ND	ND	ND	179.38
Number of Pension Funds/Plans								
Total number of funds	14	13	12	11	11	11	10	10
Total number of plans	ND	ND	ND	ND	ND	ND	ND	ND

Note: Data refer to personal pension plans.

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

CZECH REPUBLIC: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The retirement age will rise to 63 for men by 2013. The pension eligibility age will be 59 to 63 for women, depending on the number of children they have. A full pension requires 25 years of coverage, but people with 15 years contributions may receive a pension from age 65.

The basic pension is CZK 1,310 per month (US\$61). The earnings related pension gives 1.5% of earnings for each year of contributions (using a progressive formula). The minimum pension benefit amounts to CZK 2,080 (US\$97). Older people are covered by the general social-assistance scheme and related benefits in kind. The target safety-net income for a single-person household is CZK 1,780 (US\$83). Total pensions in payment must be increased at least by prices plus one-third of real wage growth.

According to OECD calculations, the gross replacement rate from all mandatory pensions for an average worker is 44.4% of average earnings (58.2% net).

PERSONAL VOLUNTARY

Coverage

Voluntary personal pensions are available to all Czech or European Union residents aged 18 or over participating in the basic pension insurance scheme or public health insurance scheme.

According to a 2008 report published by the Association of Pension Funds of the Czech Republic, approximately 60% of economically active people have supplementary pension insurance, not including individuals over the age of 60 – the minimum retirement age in the Czech Republic. Furthermore, approximately 25% of participants receive contributions to the supplementary plan from their employers.

Contributions

Employees make contributions which the state matches up to a certain threshold. Employers can choose to pay all, or part, of an employee's contribution if he or she consents, while collective bargaining agreements may also stipulate that employers contribute.

When entrants sign a contract with a pension fund, they commit to pay a minimum monthly contribution of CZK 100 (USD 4.6). The total contribution level is set forth in the pension plan and in the contract with the pension fund managing company. The state contributes CZK 50 to the pension plans of individuals who pay the minimum monthly contribution. Its maximum contribution is CZK 150, which goes to individuals paying CZK 500 or more.

Employee contributions represent, on average, approximately 2% of the average wage. Around 27% of all employers pay into voluntary pension plans, which translates into an average monthly contribution per employee of just over CZK 400.

Benefits

Pension contracts must state how pension benefits are to be paid in the absence of statutory rules to that effect. They are usually paid out as lump sums.

Taxation

Employers may deduct from their tax base the contributions they make to their employees' pension plans. The tax-deductible amount may not exceed 3% of an employee's annual wages, though employers may contribute up to 5% of a worker's earnings.

While investment income and pension benefits are taxed at a 15% rate, pension plan contributions are not taxable and are not included in the calculation of employees' income tax or social security contributions. Nor, indeed, are state and employee contributions. Additional recent measures have eased the burden of social security, general health insurance, and state employment policy contributions for both employees and employers.

MARKET INFORMATION

Personal voluntary

In December 2007 there were 10 pension funds in the Czech market, managing assets worth CZK 167.2 billion (USD 8.2 billion), with 3.96 million participants contributing to private pension accounts.

POTENTIAL REFORM

Reforms to the supplementary pension system could include:

- Separation of the shareholders and participants' assets (detailed proposals made in March 2007);
- Increase in the coverage rate, in particular for younger age groups;
- Encouragement of participants to make higher contributions;
- More employer involvement and higher contributions;
- Reduction in the use of the lump-sum settlement option;
- Remove the guarantee of an annual non-negative return.

The introduction of an occupational pension system is not expected in the short term. Given the strict regulation on pension asset investments, there are calls for more investment freedom.

REFERENCE INFORMATION

KEY LEGISLATION

1994: Act 42/1994, which sets out issues related to contributory supplementary personal insurance.

1992: Act 86/1992, including amendments relating to income tax, which sets forth tax rules.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Czech National Bank

www.cnb.cz/en/.

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

Ministry of Finance, Office of State Supervision in Insurance and Pension Funds

www.mfcr.cz/cps/rde/xchg/mfcr/xsl/pension_funds.html.

OECD, Global Pension Statistics project, www.oecd.org/daf/pensions/gps.

IOPS Country Profiles – CZECH REPUBLIC, December 2009

