

PENSION SYSTEM: SCENARIOS OF FUTURE DEVELOPMENT

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Abstract

The study aims to quantify scenarios of the Czech pension system development, or more precisely, the dominant pay-as-you-go component. These scenarios do not represent projections of the retirement system. Rather, we identify problems that the pay-as-you-go pension system is going to face, if other solutions are not developed. To achieve balance by 2030, it is sufficient to reduce the current legal pension remunerations by roughly 10-15 percent. However, pensions would have to drop by 40 percent after 2050. It is also possible to eliminate the pension system deficits by an immediate reduction of all current pensions and by reduction of future pensions. The immediate reduction of pensions would have to be very significant – from 2014, pensions would have to be reduced by 25 percent and pensions for future pensioners would have to go down by 25 percent. Furthermore, we consider the change of pension valorization rate but even a complete elimination of valorization would not be sufficient to stabilize the pension system. The decline in the nominal value of the pensions of several age groups would be amount to tens of percents. For example, 20 years after retirement, pensioners would receive a 40 percent lower pensions compared to contemporary pensions, if calculated based on the current valorization regulations. In the pay-as-you-go pension system, other parameters can be modified, primarily the retirement age and the pension system contribution rate. Nevertheless, more detailed analysis of these parameters goes beyond the scope of this study, as the primary focus is on the adjustments of pension remunerations.

[Download](#) the complete study (in Czech only).

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