



Czech Pension System

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please consult:

<http://ec.europa.eu/social/easi>.

The information contained in the
materials for this seminar does not
necessarily reflect the official
position of the European
Commission.

Pension Insurance

FIRST PILLAR

- Universal system,
- The mandatory basic pension insurance,
- Defined by benefits (DB),
- Pay-as-you-go,
- For all economically active individuals.

THIRD PILLAR

- Complementary system,
- Voluntary,
- Defined by contributions (DC),
- With state contributions,
- Capital funded.

Types of benefits

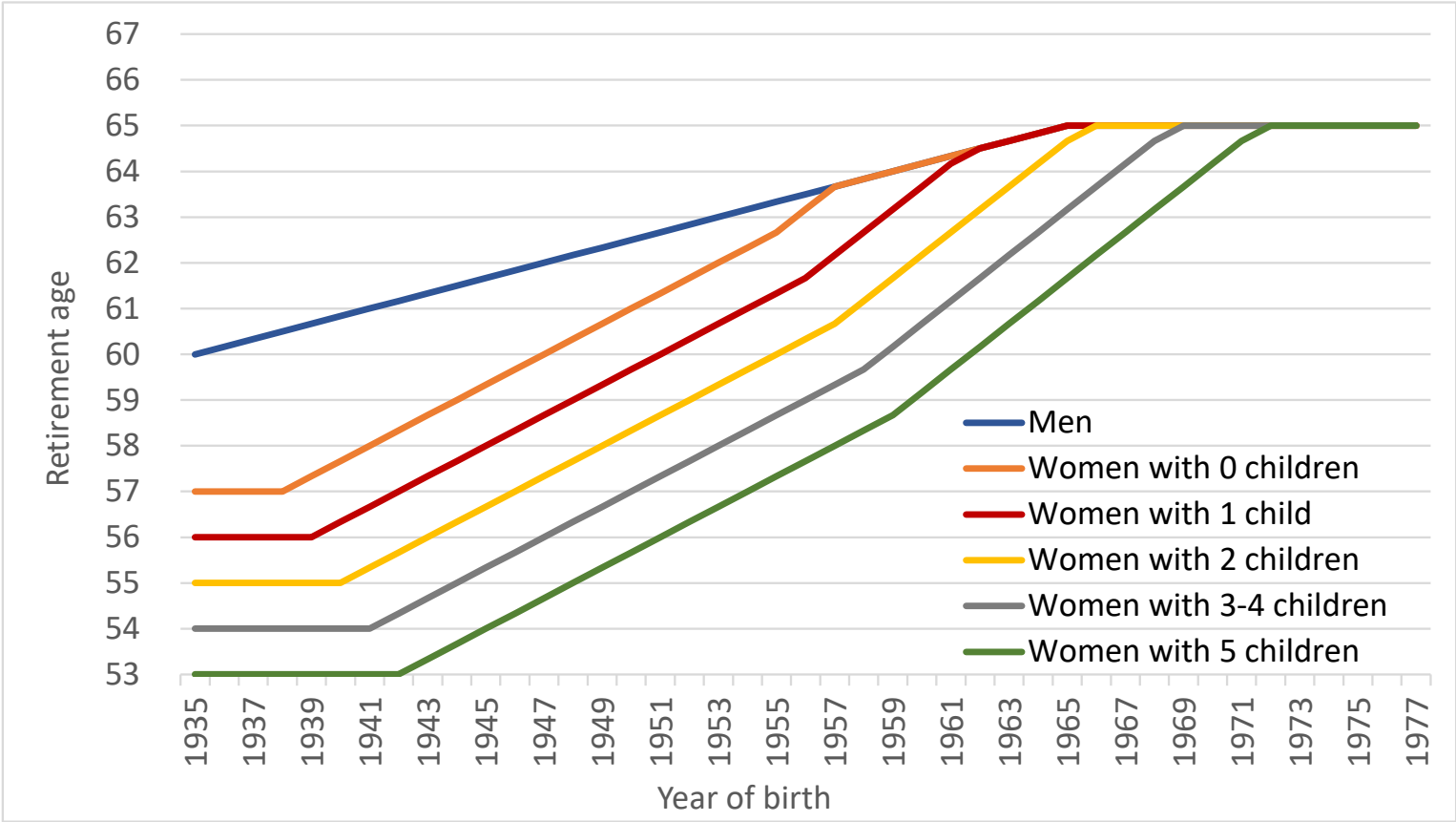
- The following pensions are provided from the basic pension insurance:
 - old-age,
 - disability,
 - widow and widower,
 - orphan.
- Each pension consists of the following components:
 1. Basic amount,
 2. Percentage amount.

$$\text{New pension} = \text{BA} + \text{PA}$$

Old-age Pension

- A condition for entitlement to old-age pension is accumulation of the **required period of insurance** and **attainment of the stipulated age.**
- Minimum required period of insurance
- 35 years;

Retirement age



Amount of old-age pension

- The basic amount
 - 10% of the general assessment base
 - 2021: 3 550 CZK.
- The amount of the percentage amount
 - Calculation base
 - 1.5% of the calculation base for each year of insurance.

$$PA = CB \cdot BPCB$$

PA – Percentage amount

CB – Calculation base

BPCB – Basic percentage of the calculation
base

Calculation base

- **The earnings-related part.**
- The target period => **the whole career for the reference wage.**
- Non-validated periods are included in the reference wage as zeros.

% of the average wage	Progressive formula
0 - 44	Wage is fully taken into account.
44 - earnings cap	26% of the wage is taken into account.
Over the earnings cap	Not taken into account.

Basic percentage of the calculation base

	Working periods	Validated periods	Non-validated periods
Included in the: years of insurance	Yes	Yes (Full or partial)	No
Included in the: Calculation base	Yes (earnings)	No	Yes (0 included)

$$BPCB = \text{int}((1 \cdot IP1 + 0,8 \cdot IP2)/365) \cdot PR$$

IP1 – 100% covered insurance period

IP2 – 80% covered insurance period

PR – percentage rate per year of insurance –

1,5%

Validated periods

1. Periods of childcare for children up to four years of age,
2. Periods of care for a dependent person in their household,
3. Compulsory military service,
4. Spells of unemployment with unemployment benefit,
5. Up to three years of unemployment without unemployment benefit,
6. Period of disability of the 3rd degree.

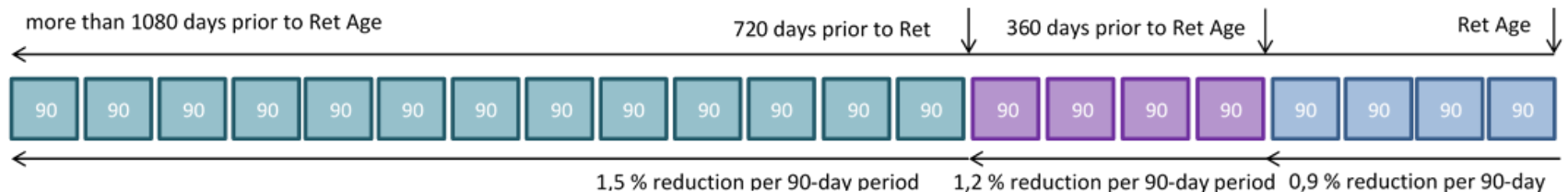
1. Fully taken into account:
 - Spells related to care and military service (1-3).
2. Count only for 80%:
 - All other spells (4-6).

Periods in education

- Periods in education are excluded from benefit calculations, including in the computation of the reference wage.
- Prior to 1996, secondary education and tertiary education were considered validated periods, and prior to 2010 tertiary education only was considered a validated period.

Early and deferred pension

1. Retirement before the reaching retirement age => the pensioner is penalized.



2. Retirement after the reaching retirement age => the pensioner receives a bonus.

$$BO = \max(0; \text{int}((AA - RA) / 90)) \cdot 1.5 \%$$
 BO – bonus
 RA – retirement age
 AA – actual retirement age