

TABLE OF CONTENTS

INTRODUCTION	1
PART A	2
GENERAL INFORMATION ON SOCIAL INSURANCE	2
A.1. Brief characteristics	2
A.1.1. Pension insurance	2
A.1.2. Sickness insurance	4
A.1.3. Premiums	5
A.1.4. Social security organization and implementation	7
A.2. Legislative changes since the beginning of 2006	8
A.2.1. Pension insurance	8
A.2.2. Sickness insurance	12
A.2.3. Premiums	15
PART B	17
EVALUATION OF THE BASIC INDICATORS OF SOCIAL INSURANCE DEVELOPMENTS	17
B.1. Parameters influencing the development of social insurance	17
B.1.1. Economic developments	17
B.1.2. Demographic developments	18
B.1.3. Employment developments	20
B.2. Social insurance indicators	22
B.2.1. Premiums	22
B.2.2. Pension insurance	28
B.2.2.1. Revenues and expenditure	29
B.2.2.2. Number of pensioners and pensions	31
B.2.2.3. Amount of pensions	39
B.2.2.4. Reduction of pensions due to early old-age retirement	47
B.2.2.5. Differentiation of pensions by pension amount	48
B.2.3. Sickness insurance	50
B.2.4. Fulfilment of international conventions	57
B.2.4.1. Pension insurance	57
B.2.4.2. Sickness insurance	60
B.2.5. Operating expences	62
PART C	64
SOCIAL INSURANCE PROJECTIONS	64
C.1. Parameters influencing the development of social insurance	64
C.1.1. development of basic macroeconomic indicators	64
C.1.2. Demographic developments	64
C.1.3. Developments in the participation rate	65
C.2. Pension insurance	67
C.2.1. Projections of basic indicators	67
C.2.1.1. Developments in the number of contributors and pensioners	67
C.2.2. Evaluation of developments in key indicators	72
C.2.3. Sensitivity of basic indicators of the pension insurance system to certain parameters	73
C.2.3.1. Additional increases in the retirement age	73
C.2.3.2. Method of valorizing pensions	75

C.2.4. Projections of impact of parametrical changes on the development of basic pension insurance indicators	77
C.2.4.1. Expenditure and balance of the pension system.....	77
C.2.4.2. Replacement ratio.....	81
C.2.5. Conclusions	82
C.3. Sickness insurance.....	85
C.3.1. Projections and evaluation of developments	85
C.3.1.1. Changes in sickness insurance made in 2008	85
C.3.1.2. New Sickness Insurance Act	89
C.3.2. Conclusions	92
APPENDIX	94
I. EXAMPLES OF BENEFIT CALCULATIONS	94
A. Example of a pension calculation.....	94
B. Examples of sickness insurance benefit calculations	97
B.1. Sickness benefits.....	97
B.2. Family member care benefit	99
B.3. Maternity benefits.....	99
B.4. Pregnancy and maternity compensation benefit.....	100
II. OVERVIEW OF MAIN MEASURES ADOPTED SINCE 1990	102
A. Pension insurance	102
B. Sickness insurance	105
C. Premiums	107

LIST OF TABLES

Table 1	Contribution rates from 2004	6
Table 2	GDP development	17
Table 3	Developments in the average nominal wage in the national economy	18
Table 4	Age structure of the population	18
Table 5	Total fertility rate, life expectancy	19
Table 6	Participation rate	20
Table 7	Number and structure of insured persons.....	22
Table 8	Minimum premiums for social security and the contribution to the state employment policy for the self-employed	23
Table 9	Average assessment base for premiums.....	25
Table 10	Comparison of prescribed premiums and payments from 2003 to 2007	26
Table 11	Structure of receivables from contributors.....	28
Table 12	Pension insurance revenues and expenditure on pensions	29
Table 13	Special pension insurance account.....	30
Table 14	Expenditure on pensions by type of pension.....	31
Table 15	Number of pensioners by type of pension.....	32
Table 16	Proportion of old-age pensioners receiving reduced old-age pensions after reaching the retirement age to the number of all pensioners receiving reduced old-age pensions	32
Table 17	Increases in the number of pensioners during 2003-2007.....	33
Table 18	Average age of pensioners	34
Table 19	Number of pensioners in relation to number of insured persons	34
Table 20	Number of pensions paid out	35
Table 21	Pensions paid out abroad.....	35
Table 22	Number of newly granted pensions and their development	36

Table 23	Average retirement age	38
Table 24	Retirement age in 2006 and 2007.....	38
Table 25	Year in which entitlement to pension arises for a given age.....	39
Table 26	Number of terminated pensions	39
Table 27	Average monthly amounts of solo paid out pensions	40
Table 28	Overview of increases to paid out pensions	40
Table 29	Replacement ratio.....	41
Table 30	Developments in the real value of the average paid out old-age pension	42
Table 31	Average amount of solo old-age pensions paid out by the period they were granted.....	43
Table 32	Developments in the proportion of old-system pensioners to the total number of pensioners	45
Table 33	Reduction limits for the calculation of pension amounts	45
Table 34	Developments in the relation of newly granted old-age pensions to wages in 40 years of being insured and at different wage levels	46
Table 35	Average amount of newly granted old-age pensions	47
Table 36	Reductions in early old-age pensions permanently reduced by 1 yeargranted in 2007	48
Table 37	Basic characteristics of differentiation in the amount of solo paid out old-age pensions.....	49
Table 38	Characteristics of the differences in the amounts of old-age pensions paid out in December 2007 by method of reduction	49
Table 39	Basic characteristics for differentiating newly granted old-age pensions (solo) by their amount.....	50
Table 40	Revenues and expenditure on sickness insurance	52
Table 41	Developments in the number of persons insured under sickness insurance	53
Table 42	Expenditure on sickness insurance.....	53
Table 43	Developments in the reduction limits, the maximum daily assessment base and daily benefits	55
Table 44	Fulfilment of the ILO Conventions for old-age pensions during 2005 - 2008	58
Table 45	Fulfilment of the ILO Conventions for disability pensions during 2005 - 2008	59
Table 46	Fulfilment of the ILO Conventions for survivor pensions during 2005 - 2008	59
Table 47	Fulfilment of the ILO Conventions for sickness benefits in 2004-2008.....	60
Table 48	Fulfilment of the ILO Conventions for maternity benefits in 2004-2008.....	61
Table 49	Operating expenses	62
Table 50	Development of basic macroeconomic indicators	64
Table 51	Basic characteristics of future demographic developments	65
Table 52	Life expectancy at 60 and 65 years	75
Table 53	Parameters for calculating the amounts of sickness benefits	89
Table 54	Parameters for calculating the amounts of sickness benefits	90

LIST OF GRAPHS

Graph 1.	Old-age index and economic burden index	19
Graph 2.	Developments in total fertility rate.....	20
Graph 3.	Developments in life expectancy at 65	20
Graph 4.	Participation rate – in total	21
Graph 5.	Participation rate of older persons.....	21
Graph 6.	Developments in the assessment base of employees and the self-employed... 24	

Graph 7.	Developments in the ratio of payments and prescribed premiums (including penalties, fines and premium surcharges)	26
Graph 8.	Development in arrears (CZK billion)	27
Graph 9.	Structure of receivables from contributors as % of the total receivables (as at 31 December)	28
Graph 10.	Number of old-age pensioners receiving reduced old-age pensions.....	33
Graph 11.	Developments in the number of newly granted old-age pensions	37
Graph 12.	Developments in the real value of the average paid out old-age pension and the average wage as percentage of their values in 1989	42
Graph 13.	Average amount of solo old-age pensions paid out that were granted in various years	44
Graph 14.	Difference between the average amount of old-age pensions paid out granted in different periods and the average amount of all old-age pensions paid out (%)	45
Graph 15.	Development of revenues and expenditure on sickness insurance	52
Graph 16.	Developments in the general indicators of sickness insurance	54
Graph 17.	Developments in the average daily sickness benefits, average daily wage and their ratio	56
Graph 18.	Amount of sickness benefits for 30 days in 2007 and its ratio to the gross and net wage for various wage amounts	56
Graph 19.	Distribution of the sickness rate of insured persons by amount of earnings....	57
Graph 20.	Development of the criteria for fulfilling the conventions for the minimum level of pensions.....	60
Graph 21.	Development of the criteria for fulfilling the conventions for the minimum level of sickness benefits.....	61
Graph 22.	Total participation rate in the 15+ age group	66
Graph 23.	Developments in the retirement age	68
Graph 24.	Number of contributors	68
Graph 25.	Number of pensioners	68
Graph 26.	Dependency rate	68
Graph 27.	Development of revenues, expenditure and balance of the pension system as a % of GDP	69
Graph 28.	Cumulative balance (% of GDP).....	70
Graph 29.	Total replacement ratio (%).	71
Graph 30.	Expenditure on the pension system	71
Graph 31.	Cumulative balance	71
Graph 32.	Balance of the pension system	72
Graph 33.	Total replacement ratio.....	72
Graph 34.	Process of increasing the retirement age to 65, 67 and 69 years.....	73
Graph 35.	Expenditure on pensions (% of GDP)	74
Graph 36.	Expenditure on old-age pensions (% of GDP)	74
Graph 37.	Balance of the pension system (% of GDP)	74
Graph 38.	Cumulative balance (% of GDP).....	74
Graph 39.	Total replacement ratio (%).	75
Graph 40.	Average pension drawing time (number of years) - men.....	75
Graph 41.	Average pension drawing time (number of years) – women	75
Graph 42.	Expenditure on pensions (% of GDP)	76
Graph 43.	Total replacement ratio (%).	76
Graph 44.	Balance of the pension system (% of GDP)	77
Graph 45.	Cumulative balance (% of GDP).....	77

Graph 46.	Increasing the retirement age – current status	78
Graph 47.	Increasing the retirement age – approved changes.....	78
Graph 48.	Expenditure on pensions (% of GDP)	78
Graph 49.	Balance of the pension system (% of GDP).....	79
Graph 50.	Expenditure on old-age pensions (% of GDP).....	79
Graph 51.	Expenditure on disability pensions (% of GDP)	80
Graph 52.	Expenditure on survivor pensions (% of GDP).....	80
Graph 53.	Total replacement ratio (%).	81
Graph 54.	Replacement ratio for partial disability pensions or the 1 st degree and the 2 nd degree disability pensions (%)	82
Graph 55.	Ratio of sickness benefits for the first 30 days of sick leave to net income.....	86
Graph 56.	Comparison of the amount of sickness benefits for 3 days of sick leave and net wage for one day	88
Graph 57.	Development of revenues and expenditure on sickness insurance	91
Graph 58.	Estimate of the difference between revenues and expenditure on sickness insurance for 2009-2011.....	92