

The topic of pension systems and its reforms is a very actual problem in many countries. The main aspect, but not the only reason, is the “negative” change in the age structure of the population. According to many demographic researches, the population all over the world is getting older very fast. The obligation of the state to secure people in an old age has increased. Ageing brings many negative aspects connected, not only with a worse financial situation but also with social and health difficulties. The ageing in our societies influences labour markets, political and societal structures and also pension and health systems. There is a big need to find new approaches and solutions from governments in different countries. The aim of my thesis is to describe the social security of old people and the pension reform, not only in the Czech Republic, but also in other European countries, to analyze and compare them. This thesis is divided in two sections. The first one discusses the social security system and pension reform in the Czech Republic. The second part concentrates on three other European countries on which I presented how successfully was their government able to deal with such a difficult issue as the pension system is. Also, the purpose of this paper is to show new ways and strategies which could be taken into account in the future. The first part of my thesis is subdivided into ten chapters, each of them dealing with different aspects of Czech pension system. Chapter one describes the history of the pension system, which includes the reforms of sovereigns in the 18th century and legal acts issued in Czechoslovakia before and during the communist era when the biggest impact on Czech legislation was from the Soviet Union. The system established during that era was financially unsustainable, discriminative and rigid. That is why there was an important need to reform the system very quickly. As a result of that, the biggest change was the transformation from the social security system to the social insurance, on which the current pension system in the Czech Republic is based. In Chapter two, the thesis focuses on different types of financing methods in the pension system, generally and with respect to the situation in the Czech Republic. We can divide the methods between the so called pay as you go method which basically

means that economically active people pay contributions and retired people receive at the same time that money as their old-age benefits, and the capital funding method of financing when people save their money in special pension funds. Next to PAYG method and funding method of financing, there exists also other ways on how to finance the system, such as, payment from the state budget or direct payment from retirees. In Chapter no. 3 relevant legislation is presented. The chapter consists of two subchapters. The first subchapter investigates the international sources of both soft and hard law. The second subchapter looks at the most important Czech legal acts such as the Act no. 155/1995 Coll., about the pension insurance (“Zákon o důchodovém pojištění”) or the Act no. 42/1994 Coll., about the additional pension insurance with the state contribution (“Zákon o penzijním připojištění se státním příspěvkem”). These two acts are reviewed in detail. This paper works with acts, as amended, which became effective until July 2009.

Next chapter is an analysis of the demographic development of the Czech Republic. The structure of a society is based on many factors, like birth or death rate, the number of marriage or divorce, interruptions, migration and many others. Chapters 5 until 10 refer to different questions which arise from the pension reform. We need to answer especially why the reform is important, what should be done differently, what are the proposals and how to apply them in reality. In the fifth chapter there are some recommendations on which steps should be taken. The most important document, the Final report, which is quite highly evaluated, was written by the team of experts in 2005. This team considered different approaches according to proposals from 5 political parties represented in the Parliament of the Czech Republic at that time. Final report and its conclusions are described in chapters seven and eight. On the basis of this Final report many legislative acts were prepared. The reform is divided into three parts. Recently, at the beginning of 2009, the first part of the reform started. The second part of the reform will relate to the additional pension schemes. Finally the third stage should focus on diversification of sources from which the pensioners will be secured.

Eventually the second big part of the thesis includes the description and ranking of the pension reform in Slovakia, Italy and the United Kingdom. The structure of this part of the paper is as follow: First of all, I describe the situation in every country before the reform and tried to explain the main reasons why the reform was needed. Next step

is to describe the reform, which parts of the pension system were improved and how. At the end, I show the impact of the reform on the system, its both positive and negative aspects and also how the situation will develop in the future.

Slovakia is the closest country to the Czech Republic regarding its population, economic situation, history, demography. We had more or less the same starting position, but in Slovakia the reform was already made and now they are just improving the reformed system. In Slovakia, three pillars were established. The first pillar is mandatory and the PAYG method of financing is used. In the second pillar, the funds are administered by capital pension companies. Finally, the third pillar is represented by the additional pension schemes which are voluntary.

The biggest problem against which the thesis warns with regards to Slovakian pension reform is the lack of relevant information that is provided to people. There was also an absence of consultations and transparency. I added also the ranking of the reform by the Special commission of the International Labour Organisation which came to Bratislava in August 2007.

Italy, as a representative of the south of Europe, is a country with the oldest population in Europe. Pension system was quite expensive and therefore unsustainable. The biggest reforms were made in the nineties. The system is divided into three pillars. The first one is not general and different professions have their own schemes. The second pillar is supplementary and maintained by the employers. Additional reforms are expected with regards to this pillar. The third pillar is composed of private savings plans of pensioners.

Finally the pension system in the UK is quite complicated. People have many opportunities. The system consists of three pillars. Each pillar includes different types of pensions. The reforms based on the Report of Turner's commission are going to be in force from 2010.

The ideal pension system does not probably exist. We always have to examine which combination of methods will suit better in particular conditions.