

Czech Republic

The public scheme has a basic element and an earnings-related part calculated according to a progressive formula. There is also a minimum pension in this programme.

Qualifying conditions

A phased increase in the standard retirement age will take it to 63 for men from 2013. The pension eligibility age will be 59-63 for women depending on the number of children that they have. A full pension requires 25 years' coverage but people with 15 years' contributions can receive a pension from 65.

Benefit calculation

Basic

The value of the basic pension is CZK 1 310 per month. There is no statutory indexation requirement for the value of the basic benefit alone. However, total pensions in payment must be increased by at least prices plus one third of real wage growth (see below).

Earnings-related

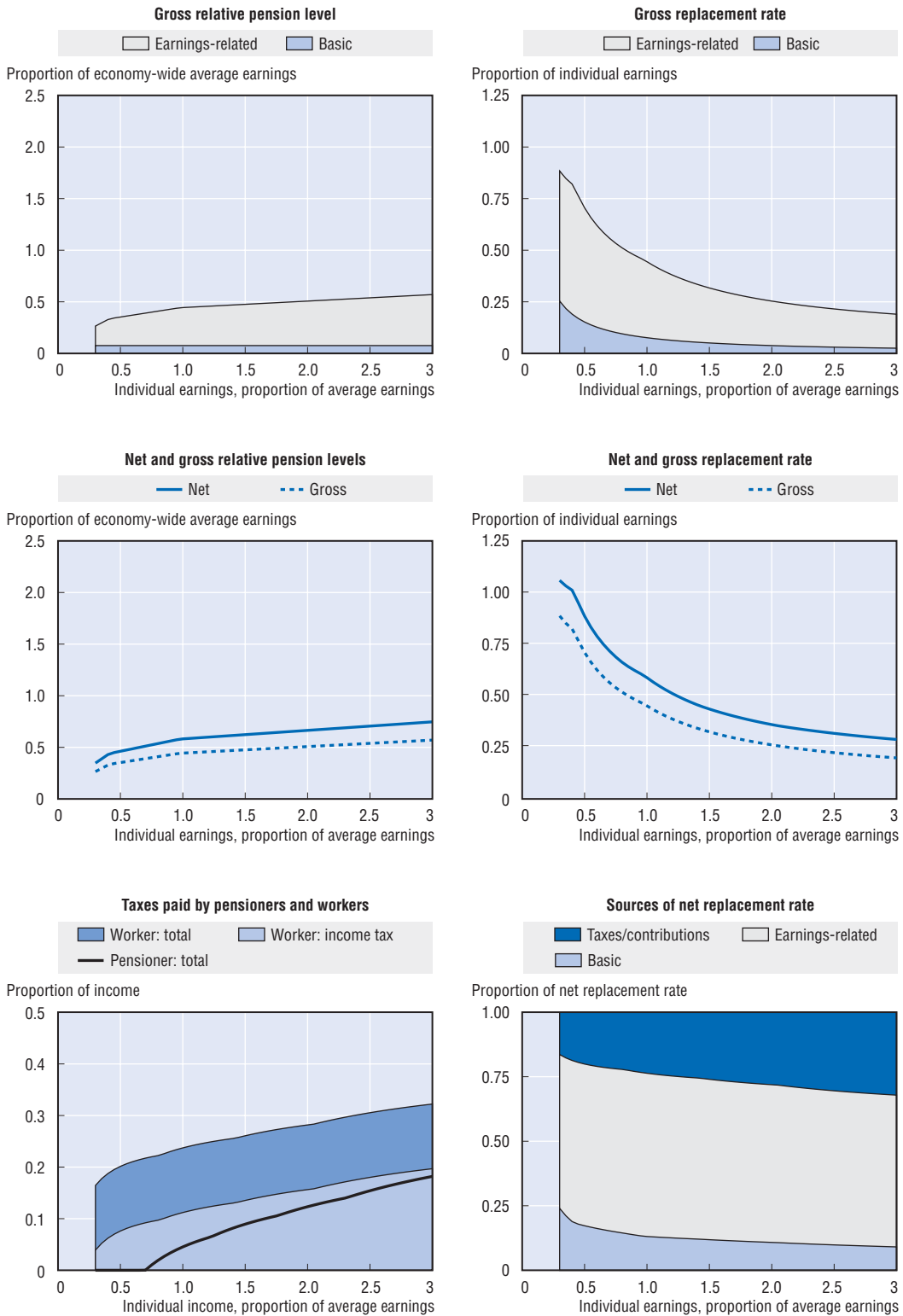
The earnings-related pension gives 1.5% of earnings for each year of contributions. The earnings measure currently averages across all years since 1985, but it will gradually reach 30 years. There is a progressive formula, with the first CZK 7 100 per month replaced at 100%, the slice of earnings between this limit and CZK 16 800 at 30% with 10% replacement above this level. The first threshold, below which there is 100% replacement, is equivalent to just over 40% of average earnings, while the second threshold is just below average earnings. There is no statutory indexation requirement for these thresholds. Earlier years' earnings in the benefit formula are valorised fully to average earnings.

There is no specific statutory indexation requirement for the earnings-related pension component in payment. However, the combined total pension benefit (flat-rate and earnings-related components) is adjusted at least to price inflation with additional, real increases of at least one third of real wage growth.

Minimum

The total value of the minimum pension benefit is CZK 2 080, which is made up of a minimum earnings-related pension of CZK 770 plus the basic component of CZK 1 310. This combined minimum pension is indexed in the same way as described above.

Pension modelling results: Czech Republic



Source: OECD, based on information provided by the countries.

Social assistance

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.

Personal income tax and social security contributions

Taxation of pensioners

Old-age pensions are not taxed up to a value of CZK 144 000. The standard tax-free allowance is CZK 38 400, giving pensioners an effective allowance four times higher than workers have.

Taxation of pensions

There are no special reliefs for pension income.

Social security contributions paid by pensioners

Recipients of old age pensions do not pay social security contributions.

Pension modelling results: Czech Republic

Men	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	2.5
Women (where different)						
Gross pension level (% of average earnings)	35.3	40.0	44.4	47.6	50.7	53.9
Net pension level (% of average net earnings)	46.2	52.4	58.2	62.3	66.4	70.6
Gross replacement rate (% of individual earnings)	70.5	53.3	44.4	31.7	25.4	21.6
Net replacement rate (% of individual net earnings)	88.3	68.3	58.2	42.9	35.3	31.0
Gross pension wealth (multiple of average earnings)	5.8	6.6	7.3	7.8	8.3	8.9
Net pension wealth (multiple of average net earnings)	6.8	7.7	8.6	9.2	9.8	10.4
Net pension wealth (multiple of average net earnings)	7.6	8.6	9.6	10.2	10.9	11.6
	8.9	10.1	11.3	12.1	12.9	13.7

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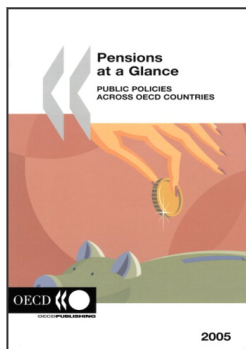
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