Changes in Pension Insurance in the Czech Republic
as of 1 January 2013

1) Implementation of the Second Pillar of the Czech pension system and the impacts on the competencies of the Czech Social Security Administration (CSSA)

Implementation of the Second Pillar of the pension system (pensions savings) and related transformation of the Third Pillar (supplementary pension savings) effective from 1 January 2013 ensues from the following legislation:

- Act No. 426/2011 Coll., on pensions savings
  - Implementation of the “opt-out” system as a voluntary fund-related savings system upon admittance without the possibility of later withdrawal
  - Admittance possible for persons aged 18 to 35; the age limit of 35 does not apply for the first six months following the effective date
  - Participation lasts until conclusion of a pension insurance agreement or until death
  - The pension insurance agreement may be concluded and the entitlements utilised only once an old-age pension from the First Pillar (pension insurance) is recognised
  - Entitlements of participants, and the rules for pension companies and for investing in pension funds

  - The already existing Third Pillar of the present supplementary pension (private) insurance is transformed
  - Individuals already taking part may choose between staying in the present system or transferring to the new system
  - Introduction of the possibility to recognise and pay out “pre-pensions” (income for a specified period of time) from funds saved as part of participation in supplementary pension savings, for up to five years prior to attaining retirement age. This is not a special type of benefit, only a certain method of utilising savings. The period over which “pre-pensions” are received shall be excluded from the calculation of pensions from pension insurance (First Pillar). At the same time, the State will be the payer of health insurance contributions for individuals drawing “pre-pensions”. A number of conditions have to be fulfilled – the monthly payments may not fall and in the beginning have to attain at least 30% of the average national wage; the period over which such pensions are received has to be at least two years.
  - Increase in the limit for the employers’ contribution to be exempted from incomes taxes to CZK 30 000 per calendar year.

  Changes in certain contribution rates in Act No. 589/1992 Coll., on social security insurance
  and state employment policy contributions:
  - Employees participating in pension savings:
    Contributions of 8.5%, of which 3.5% for pension insurance under the state budget and 5% for pension savings.
  - Self-employed persons participating in pension savings:
    Contributions to state budget of 26.2% (of which 25% for pension insurance and 1.2% for the state employment policy) and 5% for pension savings.
  - Individuals participating voluntarily in pension insurance and in pension savings:
    Contributions of 30%, of which 25% for pension insurance and 5% for pension savings.
Act No. 155/1995 Coll., on pension insurance

- When determining the old-age pension percentage assessment, 1.2% of the assessment base will be credited for each year of insurance that overlaps with participation in pension savings (1.5% if the assessment base will be credited for each year of insurance that does not overlap with participation in pension savings).

- Act No. 397/2012 Coll., on pension savings contributions

The collection of pension savings contributions from employees and self-employed persons is entrusted to the bodies of the Czech Financial Administration pursuant to the Tax Code, which will arrange for the transfer of the resources to the various pension companies.

The CSSA will collect pension savings contributions on behalf of individuals participating voluntarily in pension insurance and transfer them to the Specialised Tax Office.

The CSSA will continue to act as administrator for only the First (State) Pillar of pension insurance.

Information
In Czech:
http://www.mpsv.cz/cs/13922
http://duchodovakalkulacka.mpsv.cz/www/

2) Increases in pensions and pension supplements

Beginning with January 2013 payments, all pensions that are paid out of the Czech pension system and that have been recognised prior to 1 January 2013 will increase. The increase will be carried out by the CSSA automatically; there will be no need to apply for them.

Old-age pensions (including early old-age pensions), disability pensions (for the first, second and third degrees of disability), and survivor pensions (for widows, widowers and orphans) will increase. The basic pension assessment (which is the same for all kinds of pensions) will increase by CZK 60 (from 2270 to 2330). The percentage pension assessment, which is individual and depends on the accumulated pension insurance period and attained earnings, will increase by 0.9%. The Ministry of Labour and Social Affairs decided on this in September by Decree No. 324/2012 Coll.

The increase in pensions also pertains to “partial pensions” recognised pursuant to the coordination regulations of the European Union or pursuant to international social security agreements. In this case, the percentage pension assessment will also increase by 0.9% of its value; however, the basic assessment of partial pensions will only increase proportionally from CZK 60 (corresponds to the ratio of the Czech period to the total accumulated insurance period).

By way of Decree No. 325/2012 Coll., the Ministry of Labour and Social Affairs decided that even pension supplements recognised prior to 1 January 2013 pursuant to Government Decree No. 622/2004 Coll., on the provision of pension supplements to mitigate certain injustices perpetrated by
the Communist regime, and pursuant to Act No. 357/2005 Coll., on awards to members of the national resistance for the establishment and liberation of Czechoslovakia and some of their survivors, as amended, will increase with January 2013 payments. The supplements will increase by 0.9% of the amount of the supplement that pertains to the day when the supplement is set to increase. However, the increase does not pertain to a special pension allowance pursuant to Act No. 357/2005 Coll.

All pension recipients shall receive notification of the increase. Individuals whose pensions are paid out in cash by Czech Post will receive their notifications from the postal service provider together with their increased pensions for January 2013. Clients whose pensions are remitted to their bank account will receive their notification by regular post to the address registered by the CSSA, with the pension increase being remitted to their accounts in January 2013.

There will be no change in the manner in which pensions are paid out in 2013.