

Ministry of Finance publishes analysis of Public Social Security system (PSSS) used for government decisions in the course of discussions on options for consolidation and improvement of the pension system

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In September 2010 the Fiscal and Social Analysis and Forecasts Department of the Ministry of Finance prepared a report entitled “Public Social Security System Analysis– Current Situation and Reform Options”. This report served as the basis for government decisions in the course of debates on options for strengthening and improving the pension system.

This report aimed to provide an overview of the current state of the pension system; identify major problems and to propose alternatives for improving the financial stability of PSSS budget in short run, medium-term and long run.

It assessed the effect on the PSSS budget and the State Budget of a one-time increase in contributions to the Pensions Fund by different percentages. This analysis was based on the short- and long-term forecasting models of NSSI and various mid- and long-term macroeconomic assumptions. In addition, conclusions about the PSSS balance, dependency and the replacement rates were also made, as well as a valuation of the statutory contribution rate.

The analysis highlights the need to undertake the following crucial measures:

- Reestablishing the link between contributions and pension benefits
- Closing the gap between the retirement ages for both sexes and raising the retirement age
- Creating incentives for remaining in the labor market
- Widening the insurance base and reducing the size of the informal sector
- More active management of the PSSS deficit
- Flexible rules for indexation of pensions
- More limited commitment and improvement of the second and third pension pillars
- Regular actuarial reports on the pension system, which may help support sustainable pension development
- Legislative amendments concerning the payout phase for the second pension pillar including stricter requirements for risk-sharing; reserves management and choice of

investment options as well as higher standards for solvency requirements of companies and the protection of insured persons' assets.

- There is a room for improvement of the investment regime in the additional pension insurance scheme

The presentation of the report is [here](#).