

Available online at [www.sciencedirect.com](http://www.sciencedirect.com)

ScienceDirect

journal homepage: <http://www.elsevier.com/locate/kontakt>

## Short communication

# How profitable are savings in the third voluntary pillar of the Czech pension system?



Jan Molek\*

University of South Bohemia in České Budějovice, Faculty of Health and Social Sciences, Institute of Humanities in Nursing Professions, České Budějovice, Czech Republic

## ARTICLE INFO

## Article history:

Received 14 September 2017

Received in revised form

29 November 2017

Accepted 5 January 2018

Available online 18 January 2018

## Keywords:

Retirement insurance

Supplementary insurance

Transformed funds

Contributory funds

Inflation

## ABSTRACT

Saving in the third voluntary pillar of the pension system is very popular in the Czech Republic. At the end of 2016, a total of 4 518 832 citizens had savings accounts. Total savings were 383,032.01 million CZK. One of the fundamental problems of the third pillar, which does not contribute to its popularity (especially in young generations), is a low deposit valorisation. The reason is that the valorisation often covers only the inflation and sometimes, not even as much. The situation would be even worse if there were not financial support from the state in the form of contributions and tax reliefs or from employees.

© 2018 Published by Elsevier Sp. z o.o. on behalf of Faculty of Health and Social Sciences of University of South Bohemia in České Budějovice.

## Introduction

Retirement insurance with state benefits in the Czech Republic was established as part of a voluntary private pillar. The primary goal was to help retired people with a monthly financial support that supplemented their pensions. This is why it is understandable that there were great expectations when pension funds were established in 1994. The media eagerly publicised different experts' and analysts' comments that predicted not only a fast development of the sector but also attractive profits. They were at least 2–3% above the inflation. Interesting supplementary finances to pensions were expected as well. They were necessary because the price

liberalisation in 1992 decreased the real pension value by approximately 15%. The supplementary finances were to be seen 20 years after the pension funds started. Therefore, it is not a surprise that the first pension fund licences issued in November of 1994 caused great public interest. What is the reality? The Czech Republic is one of the top countries regarding public interest because more than 70% of the working population is saving in the system of the third voluntary pension pillar. According to the Association of Pension Funds of the Czech Republic, pension companies managed the savings of 364 984.23 million CZK of 3 976 341 clients who had signed contracts with them by the 31st December, 2012, in transformed funds of the supplementary pension insurance, and 18 047.78 million CZK of 542 491 clients

\* Author for correspondence: Ing. Jan Molek, CSc., University of South Bohemia in České Budějovice, Faculty of Health and Social Sciences, Institute of the Humanities in Nursing Professions, J. Boreckého 1167/27, 370 11 České Budějovice, Czech Republic

E-mail address: [molek@zsf.jcu.cz](mailto:molek@zsf.jcu.cz)

<https://doi.org/10.1016/j.kontakt.2018.01.001>

1212-4117/© 2018 Published by Elsevier Sp. z o.o. on behalf of Faculty of Health and Social Sciences of University of South Bohemia in České Budějovice.

who had signed a contract for participation funds after the 2013 reform (the data is from the 31st December, 2016) [1]. What is the savings valorisation and what profit does saving in the third voluntary pillar bring? The analysis shows that the clients' savings valorisation is one of the reasons why saving in the third pillar does not fulfil its primary role for old age. Another reason is clients' low monthly financial contributions and the length of saving. The clients' savings are insufficient for funding regular pensions and most clients withdraw the total amount of money immediately after the contract is fulfilled.

## Materials and methods

The goal of this article is to assess the development, issues and perspectives of the profitability of the supplementary pension insurance with state benefits (transformed funds) and supplementary pension savings (contributory funds) as the third voluntary pillar of the Czech pension system. The basis for such assessment was the data issued by the Association of Pension Funds of the Czech Republic [1], the Ministry of Finance of the Czech Republic [2] and the Czech Statistical Office [3]. The secondary analysis provided the basis for calculations and conclusions.

## What profit do savings in the third pillar bring?

Low savings profit is a fundamental problem of the third pillar and, therefore, it is not very attractive, especially for young generations. The reason is that the valorisation often covers only the inflation and sometimes, not even as much. The situation would be even worse if there were not financial support from the state in the form of contributions and tax reliefs or from employees.

The valorisation of deposits in pension funds (by the 31st December, 2012) and pension companies (from the 1st January, 2013) is documented by the following overview of the nominal valorisation of contributory funds between 1995 and 2016 (Tables 1–4).

A relatively positive nominal savings valorisation is changed (unfortunately for the worse) by the inflation. The level between 1995 and 2016 is shown in Table 5.

The real valorisation of savings after calculating the inflation (nominal valorisation – inflation level) does not correspond with the parameters that are expected from a long term investment and is often criticised by its contributors. This fact is documented by the results between 1995 and 2016 shown in Tables 6–9.

The average valorisation of deposits in original pension insurance funds (1995–2012) and transformed funds (2013–2016)

**Table 1 – Nominal valorisation of contributory funds between 1995 and 2003 [1].**

Pension fund	Nominal annual valorisation of deposits (% p.a.)								
	1995	1996	1997	1998	1999	2000	2001	2002	2003
AEGON PF, a. s.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Allianz PF, a. s.	–	–	8.90	9.10	6.00	3.80	4.36	3.71	3.00
AXA PF, a. s.	12.80	11.45	11.20	10.10	6.50	4.10	4.25	3.41	3.36
ČSOB PF Progres, a. s.	0.00	16.40	8.00	10.90	7.70	5.62	3.90	4.26	4.30
ČSOB PF Stabilita, a. s.	10.40	10.90	10.30	10.02	6.10	4.20	3.20	3.00	2.30
Generali PF, a. s.	10.30	10.61	14.60	11.40	5.30	3.60	4.60	4.10	3.00
ING PF, a. s.	12.80	12.10	11.00	9.34	6.00	4.40	4.80	4.00	4.00
PF České pojišťovny, a. s.	10.30	9.20	9.60	9.72	6.60	4.50	3.80	3.20	3.10
PF České spořitelny, a. s.	4.00	8.10	9.05	8.33	4.40	4.20	3.80	3.50	2.64
PF Komerční banky, a. s.	9.44	8.36	9.10	9.50	7.20	4.89	4.40	4.63	3.40

**Table 2 – Nominal valorisation of contributory funds between 2004 and 2012 [1].**

Pension fund	Nominal annual valorisation of deposits (% p.a.)								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
AEGON PF, a. s.	0.00	0.00	0.00	4.50	3.50	2.10	2.11	1.60	2.50
Allianz PF, a. s.	3.00	3.00	3.11	3.00	3.00	3.10	3.00	2.69	2.20
AXA PF, a. s.	3.10	3.70	2.50	2.20	0.00	2.00	1.47	1.47	1.40
ČSOB PF Progres, a. s.	5.30	5.00	2.30	2.40	0.02	1.00	1.03	1.71 <sup>a</sup>	2.10
ČSOB PF Stabilita, a. s.	4.30	4.00	2.80	2.40	0.05	1.37	1.49		
Generali PF, a. s.	3.00	3.81	3.74	4.10	2.00	2.40	2.10	0.30	1.30
ING PF, a. s.	2.50	4.20	3.60	2.50	0.04	0.10	2.10	2.10	2.10
PF Česká pojišťovna, a. s.	3.50	3.80	3.30	2.40	0.20	1.20	2.00	1.50	2.50
PF Česká spořitelna, a. s.	3.74	4.03	3.04	3.10	0.40	1.28	2.34	2.07	1.90
PF Komerční banka, a. s.	3.50	4.00	3.00	2.30	0.58	0.24	2.23	2.00	1.80

<sup>a</sup> PF Progres and Stabilita were merged in November 2011.

Download English Version:

<https://daneshyari.com/en/article/7521332>

Download Persian Version:

<https://daneshyari.com/article/7521332>

[Daneshyari.com](https://daneshyari.com)