

Pension solution: Comparison of pension systems around the world

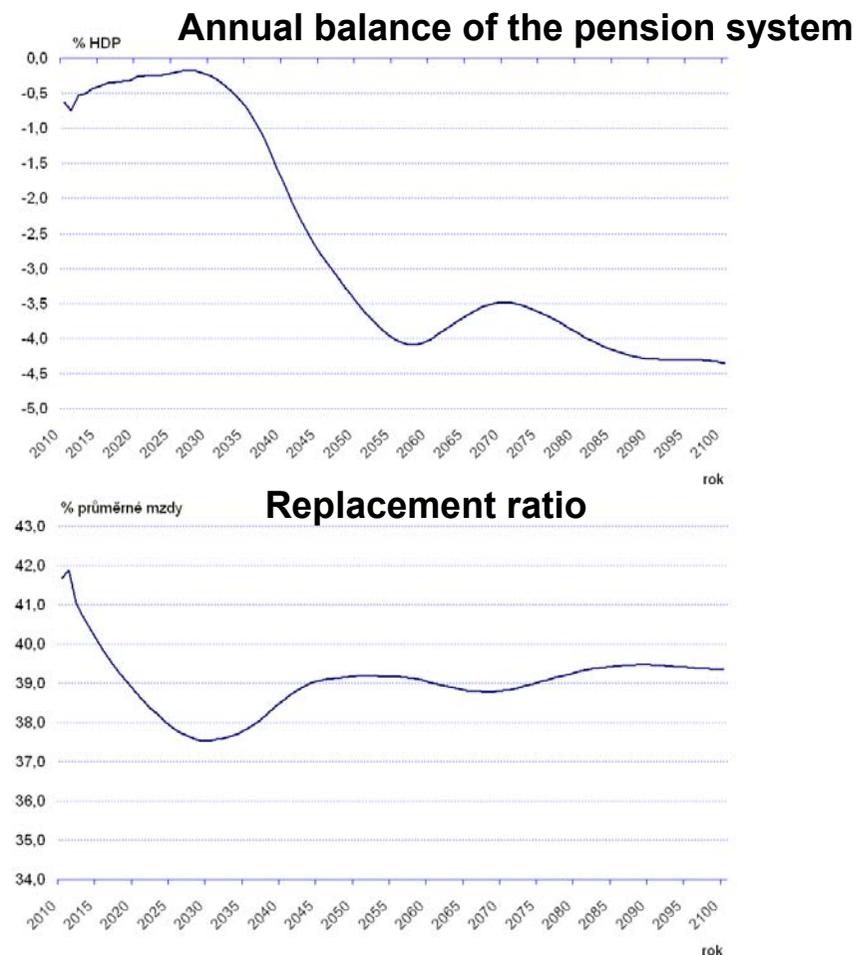
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What is wrong with the current system?

- ✓ With the current setup, the system is not sustainable
- ✓ The ratio of recipients and people paying in will get worse
- ✓ The deficit will deepen
- ✓ The replacement ratio will decrease
- ✓ Main cause = inauspicious demographic development



Source: Final Report "Bezděkov Commission II", 2010 (http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/vf_duchod_ref_pes.html)

What are the options?

- ✓ **Parametric changes to the pay-as-you-go pillar**
 - Retirement age (72 in 2050), level of pension (replacement ratio 28%), level of "insurance" (42% of the gross salary)

- ✓ **Demographic changes**
 - Birth rate, immigration (also indirect) ... (there would have to be 10 m more people in the 15 – 65 category in 2050)

- ✓ **Growth in productivity (which allows for parametric changes)**
 - If more productive workers support more pensioners in such a way that they receive the same as today, the replacement ratio will again decrease
 - The exclusivity of certain goods and thus their price will increase (less workers, more consumers)

- ✓ **Overall change to the system ...**
 - Individual savings and their combination with a pay-as-you-go system

Benefits of individual savings

- ✓ This resolves the demographic problem, although not perfectly
- ✓ This does not rely on intergenerational solidarity
- ✓ This decreases the risk of disproportionate demands of people in retirement age (and also a strong group of voters)
- ✓ This increases people's interest in a pension and its level
 - Decreases motivation to avoid insurance
 - Positive effect on the job market
- ✓ Saved capital supports economic growth
- ✓ This partially decreases the risk of intervention by the government
- ✓ Loss of income in later years has a smaller impact than in the pay-as-you-go system



Forms of individual savings

- ✓ **Compulsory savings in a state fund**
- ✓ **Compulsory savings in pension funds**
- ✓ **Voluntary savings with state support in pension funds**
- ✓ **Employee funds**
- ✓ **Private savings (without state support)**
- ✓ **Acquisition of other "assets" (real estate, children ...)**



Pension systems used at present

- ✓ **Fully funded (Chile)**
- ✓ **Combined reformed = with a compulsory second pillar**
 - Bulgaria, Hungary, Poland, Slovakia and Sweden
- ✓ **Combined traditional = second pillar need not necessarily be compulsory**
 - USA, Great Britain, Denmark and the Netherlands
- ✓ **Combined – the fund component is only supplementary, employee funds**
 - Spain and France
- ✓ **Fully pay-as-you-go – PAYG**
 - Czech Republic and Germany



Is a purely funded system ideal?

- ✓ Some risks are inherent only to the funded system
- ✓ On the other hand, certain common risks may exhibit themselves more strongly in the pay-as-you-go system (PAYG)

| Risk | PAYG | Fund |
|---------------------|---|---|
| Macroeconomic shock |  |  |
| Demographic shock |  |  |
| Political shock |  |  |
| Management failure |  |  |
| Investment risk |  |  |
| Level of annuity |  |  |

- ✓ The aim is not to find a system which best weathers the worst crisis scenario, all possible scenarios must be considered when choosing
- ✓ Also thanks to diversification, a combined system seems to be the most suitable

What is the ratio between both systems in Europe nowadays?

| | Compulsory state | | | Employee | | | Total contribution to pensions |
|----|---|------------------|------------------|---|------------------|------------------|--------------------------------|
| | Contribution as a share of the gross salary | Employer's share | Employee's share | Contrib. as a share of the gross salary | Employer's share | Employee's share | |
| DK | 1% | 67% | 33% | 9% - 15% | 50 to 67% | 33 to 50% | 13.60% |
| DE | | 0% | 100% | Up to 4% | 0-100% | 0-100% | 23.50% |
| EE | 6% | 67% | 33% | | | | 22.00% |
| IT | 6.90% | 100% | 0% | | | | 39.60% |
| LV | 10% | 27% | 73% | --- | | | 27.00% |
| LT | 5.50% | 90% | 10% | | | | 26.00% |
| NL | | | | 16.10% | 67% | 33% | 21-22% |
| AT | 1.53% | 100% | 0% | 1% - 15% | 100% | 0% | 22.80% |
| HU | 8% (+2%) | 0% - (20%) | 100% - (80%) | | | | 33.50% |
| PL | 7.30% | 0% | 100% | 0-7% + (0-9%) | 100% + (0%) | 0% + (100%) | 29.77% |
| RO | 6% | 0% | 100% | | | | |
| SK | 9% | 100% | 0% | | | | 28.75% |
| SE | 2.50% | 100% | 0% | 13.70% | 100% | 0% | 30.90% |

- ✓ Contribution to the fund component only reaches 1/3 of the overall retirement savings in exceptional cases
- ✓ In the case of a compulsory pillar, greater involvement by the employer is evident; in the case of employee funds, this parameter is more variable

And how does this show itself in the resulting pension?

| | Retirement 2006 | | | Retirement 2046 | | |
|----|-----------------|------|-------|-----------------|------|-------|
| | PAYG | Fund | Other | PAYG | Fund | Other |
| DK | 84% | 6% | 10% | 55% | 6% | 45% |
| DE | 90% | / | 10% | 75% | / | 25% |
| IT | 100% | / | / | 80% | 20% | / |
| LV | 100% | / | / | 51% | 49% | / |
| LT | 100% | / | / | 62% | 38% | / |
| NL | 40% | / | 30% | 40% | / | 60% |
| AT | 100% | / | / | 100% | / | / |
| HU | 100% | / | / | 75% | 25% | / |
| PL | 100% | / | / | 56% | 44% | / |
| SK | 100% | / | / | 56% | 44% | / |
| SE | 78% | / | 22% | 65% | 12% | 23% |

→ Even if contributions into the fund component are often significantly lower than into the pay-as-you-go system, their contribution to the resulting pension is significant.

Voluntary or compulsory?

| | Compulsory | Opt-in | Period for opt-in | Excluded |
|-----------|-------------------------|-----------------|-------------------|------------|
| EE (2002) | < 19 years | 19 - 60 years | 7 - 8.5 months | > 60 years |
| HU (1998) | Entering the job market | Already working | 20 months | Pensioners |
| LV (2001) | < 30 years | 30-49 years | No restriction | 50+ |
| LT (2004) | Nobody | Working | No restriction | Pensioners |
| PL (1999) | < 30 years | 30-50 years | 12 months | 50+ |
| RO (2004) | < 35 years | 35-45 years | 4 months | 46+ |
| SK (2005) | Entering the job market | Already working | 18 months | Nobody |
| SE (1999) | < 62 years | Nobody | --- | 62+ |

- ✓ Only Lithuania has chosen a purely voluntary system
- ✓ Most countries have only introduced the obligation for the youngest generation, the others were able to choose

How many people has the new system attracted?

| | Participants in the fund system as a share of all participants in the PAYG system (in %) | | | | | | | |
|-----------|--|-----|-----|-----|-----|-----|-----|-----|
| | In the year of reform | T+1 | T+2 | T+3 | T+4 | T+5 | T+6 | T+7 |
| EE (2002) | 6 | 35 | 59 | 71 | 75 | ... | ... | ... |
| HU (1998) | 35 | 55 | 57 | 58 | 57 | 59 | 62 | 64 |
| LV (2001) | 27 | 33 | 47 | 58 | 68 | 77 | ... | ... |
| LT (2004) | 36 | 44 | 53 | 63 | 69 | ... | ... | ... |
| PL (1999) | 78 | 80 | 83 | 86 | 90 | 93 | 89 | 93 |
| SK (2005) | 43 | 60 | ... | ... | ... | ... | ... | ... |
| SE (1999) | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

- ✓ Despite the marked voluntary nature, more than half of working people always opted for the funded pillar – even in the case of the 100% voluntary Lithuania
- ✓ In general, participation fluctuates from 25% (IT) to 90% (DK) or 100% (SE); the average is between 50% and 75%
- ✓ The government estimate of 50% - 60% is thus not realistic

How much does the funded system cost?

- ✓ Individual countries choose various pricing strategies between initial fees and fees for management (PL vs. SE)
- ✓ The volume of funds is the decisive factor for determination of costs for management
- ✓ If often occurs that the fee (set as a % of the assets) is higher at the beginning and gradually decreases
- ✓ E.g. Poland will decrease the initial fee to 3.5 %
- ✓ A surprising decrease in the management fee to 0.3% occurred in Slovakia %

| | | Initial | Initial | Asset mgmt. | Acc. Mgmt. |
|----|-------|---------------|---------------|-------------|-----------------|
| EE | Basis | % of payments | % of payments | % of assets | |
| | Limit | none | 1% | 1.5% - 2% | |
| | Range | 1.0-3.0% | 1.00% | 0.75-1.88% | |
| HU | Basis | % of payments | % of payments | % of assets | fixed |
| | Limit | 4% | none | 0.80% | |
| | Range | 4-5% | | 0.5-1% | 130-200 HUF |
| LV | Basis | | % of assets | % of assets | % of payments |
| | Limit | | | | max 2.5% |
| | Range | | 0-0.25% | 0.75-1.52% | 1.25% |
| LT | Basis | % of payments | | % of assets | |
| | Limit | max 10% | | 1% | |
| | Range | 1.19%-5.5% | | 0.95-1.0% | |
| PL | Basis | % of payments | | % of assets | |
| | Limit | max 7% | | 0.71% | |
| | Range | 4-7% | | 0.18%-0.54% | |
| SK | Basis | | | % of assets | % of payments |
| | Limit | | | 0.78% | 1% |
| | Range | | | | |
| SE | Basis | | | % of assets | fixed |
| | Limit | | | | 100 SEK |
| | Range | | | 0.2-1.5% | 0.16% of assets |

How to prevent needlessly high fees?

The key is pricing transparency

- ✓ Fair setting of fees towards funds and clients will always be complicated
- ✓ Part of the "work" towards limiting the level of fees will be performed by competition
- ✓ If the state does not decide directly for introduction of limits, it should at least adhere to pricing transparency
- ✓ This is to say that a 1% fee for management of assets is in fact equal to a fee of 18% of each contribution (in the case of 2%, this corresponds to 32% of the contribution)
- ✓ Costs for payout must also be calculated. These are estimated at 5% – 10% of the saved amount (which corresponds to a fee of 0.25% - 0.5% for management in the savings phase)
- ✓ Duplicate fees can be prevented = PF invests in another fund, which deducts its fees

Resolution of situations in life when people have no income

| | System | Unemploy. | Maternity | Parental | Paternal | Sick leave | Other |
|----|--------|-----------|-----------|----------|----------|------------|-------|
| EE | PAYG | | | ✓ | ✓ | | ✓ |
| | Fund | | | | ✓ | | |
| HU | PAYG | ✓ | ✓ | | ✓ | | |
| | Fund | ✓ | ✓ | | ✓ | | |
| LV | PAYG | ✓ | ✓ | ✓ | | ✓ | ✓ |
| | Fund | ✓ | ✓ | ✓ | | ✓ | ✓ |
| LT | PAYG | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Fund | | | | | | |
| PL | PAYG | ✓ | ✓ | | ✓ | | |
| | Fund | ✓ | ✓ | | ✓ | | |
| SK | PAYG | | ✓ | ✓ | | ✓ | ✓ |
| | Fund | | ✓ | ✓ | | | ✓ |
| SE | PAYG | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Fund | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

- ✓ The state partially covering periods without income decreases the risk of increased demands on the pay-as-you-go system in the future
- ✓ If the state decides to cover contributions for the period when there is no income, behaviour is mostly the same towards both pillars

Method of covering unemployment and maternity leave

| | | Maternity, parental | | Unemployment | |
|----|------|---------------------|--------------------------------------|--------------|--------------------------------------|
| | | Duration in months | Base for calculation of contribution | Duration | Base for calculation of contribution |
| EE | PAYG | 36 | 20% of average salary | | |
| | Fund | 14 | | | |
| HU | PAYG | 24 | According to salary | 9 | According to salary |
| | Fund | | | | |
| LV | PAYG | 22.5 (4.5+18) | 108% + 18% of average salary | 9 | 29% of average salary |
| | Fund | | | | |
| LT | PAYG | 36 (12 + 24) | 85% of av. salary + ??? | 6 - 9 | 24.5% of average salary |
| | Fund | | | | |
| PL | PAYG | 28.5 (4.5+24) | ??? + 17% of average salary | 18 | 20% of average salary |
| | Fund | | | | |
| SK | PAYG | 72 | 60% of average salary | | |
| | Fund | | | | |
| SE | PAYG | 48 | 80% of salary | 12 | 80% of salary |
| | Fund | | | | |

→ In the vast majority of cases, the same basis is used for calculation of the contribution for the funded pillar and the contribution is paid for the same period as in the case of the pay-as-you-go pillar

Method of payout of the pension

Annuity

- ✓ Pension fund (life insurance company) assumes the "risk" of a longer survival period
- ✓ This risk is more difficult to estimate in an environment of constantly growing mean length of life
- ✓ This leads to an increase in costs (provision of contingencies)
- ✓ The balance is not the subject of inheritance
- ✓ The possibility does however exist of "combined annuity" – payments do not stop until after the death of the second of the partners
- ✓ Another option is an annuity with minimum payout period

One-off payout

- ✓ All responsibility lies with the client
- ✓ There is a risk of fast squandering of the money and subsequent demands on a higher pension from the pay-as-you-go pillar

Staged drawing

- ✓ Regular monthly payment spread out over a fixed period
- ✓ The "risk" of longer survival period is borne by the client
- ✓ The amount not drawn on can be the subject of inheritance

What did the countries decide on?

Compulsory fund

- ✓ **Compulsory annuity**
 - Denmark, Hungary, Latvia, Romania, Slovakia and Sweden
- ✓ **All 3 options**
 - Lithuania and Estonia (but to only a limited extent there, annuity is dominant)
- ✓ **One-off payment** → Bulgaria
- ✓ **Not yet decided** → Poland

Employee funds

- ✓ **Annuity** → the Netherlands and Denmark
- ✓ **One-off payment** → Ireland and Great Britain

Other (non-compulsory)

- ✓ **Annuity + one-off payment**
 - Germany, Ireland, Italy, Estonia, Portugal and Great Britain
- ✓ **One-off payment dominant** → Belgium, Estonia and the Czech Republic



Regulation of funds

| | Limitation in the investment behaviour of funds and guarantees | | | | | |
|----|--|-----------|-------------------|----------|--|-------------------------------|
| | Tools | Structure | Guaranteed income | Regional | Guarantees against mistakes made by managers | Liability of the fund creator |
| EE | ✓ | ✓ | | ✓ | ✓ | ✓ |
| HU | ✓ | ✓ | | ✓ | ✓ | |
| LV | ✓ | ✓ | | ✓ | | |
| LT | ✓ | ✓ | | ✓ | ✓ | ✓ |
| PL | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| SK | ✓ | ✓ | ✓ | ✓ | ✓ | |
| SE | | | | | | |

- ✓ **Guaranteed income:** bound to a benchmark in Slovakia and in Poland, not to an absolute value → funds then copy the benchmark
- ✓ **Mistakes made by managers:** the equivalent of our "deposit insurance fund"

Regulation of investment possibilities of funds

| | Shares | Real estate | Bonds | Retail funds | Private funds | Loans | Bank deposits |
|----|-----------------------------------|--------------------|---|--------------|---------------|--|-------------------|
| EE | 0% - 75% | 40% | Listed: no limit Unlisted: 10% | No limit | No limit | 0% | 0% |
| HU | Listed: no limit Unlisted: 10% | 5% 10% with REF | Governmental: no limit HU Corp.: 10% HU Muni.: 10% Mortgage: 25% | No limit | 10% | 0% | No limit |
| PL | Listed: 40% Unlisted: 7,5% | 0% | Governmental: no limit Corp.: 40% Muni.: 40% Mortgage: 40% | 10% - 15% | 0% | Same as buying a share in the creditor | 20% |
| SK | 0% - 80% | RE + MB: 50% | | 25% | n/a | 0% | 1 subject max 10% |
| SE | 0% | No limit | No limit | 0% | 0% | No limit | 0% |

Some countries also apply regional limitations:

- ✓ Hungary → in the case of foreign assets, the share of countries outside the OECD countries must constitute max. 20%, real estate only in EU
- ✓ Poland → max. 5% assets abroad

Combined systems - summary

- ✓ Despite a relatively low contribution, the funded pillar contributes significantly to the final pension
- ✓ Despite its voluntary nature, over 50% of people participate in the second pillar
- ✓ Costs for management of funds are often limited by law
 - Great emphasis should be placed on pricing transparency
- ✓ From the point of view of coverage of periods without income, countries mostly act in the same way towards both pillars
- ✓ On payout, emphasis is placed on maintenance of pensioners' standard of living
 - i.e. regular payout
- ✓ Possibilities of funds to invest are often limited, which has pros and cons
 - limited support for growth in the economy (shares)
 - decreases the possibility of the second pillar to get to grips with demography (foreign)

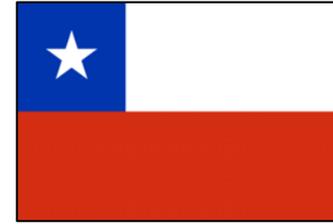


The optimal solution? It doesn't exist, but it is worth looking for anyway 😊

- ✓ Each component of the pension system has its risks
- ✓ The state cannot rely on people being responsible and must motivate them to contribute to pensions. By the same token, people cannot fully rely on the state and must look for a way to secure their retirement
- ✓ The best way to eliminate risk on both sides is diversification



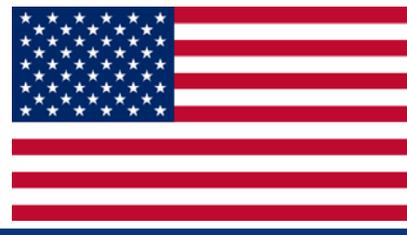
Description of pension systems in individual countries



Chile

- ✓ The first and only purely funded system in the world (since 1981)
- ✓ Individual accounts, the employer draws off 10% of salaries into them
- ✓ Purely private funds
- ✓ Clients choose the method of payout of saved money (3 alternatives + option of partial one-off payout)
- ✓ Entitlement to pension 65 for men, 60 for women or if the calculated pension reaches the minimum parameters (110% of the minimum pension and also 50% of the previous salary, last year increased to 150% and 80%)
- ✓ The state guarantees a minimum pension (subject to meeting of certain conditions) – the client then first draws what he/she saved and then the state takes over (from the budget)
- ✓ Generation, which would be in the new system their whole lives, not yet come of age (thus hard to assess), but:
 - The average replacement ratio is 52% (data from 2004)
 - The replacement ratio is dependent on incomes of the funds (and other parameters), was even on the level of 80% and growth was expected at that time to as much as 100 %

USA



- ✓ 3 pillars:
- ✓ 1st pillar: state pay-as-you-go (Social Security)
 - Employee and employer each pay 6.2 % of the gross salary
 - Retirement is gradually being pushed back to 67 years of age (possibility of early retirement at 62, but the pension is decreased to 70%)
 - Replacement ratio dependent on the level of income, from 60% for people with the lowest income and gradually falling to 25% (average 40%)
- ✓ 2nd pillar: employee funds - tax-preferred, subsidised by employer
 - Long history
 - Thanks to the strength of the unions, often generous and at the same time (in part thanks to inauspicious demographic development) undersized (which for example helped General Motors to go bankrupt)
 - Gradually transferring from DB to DC
- ✓ 3rd pillar: private savings with benefits provided by the state

Sweden



- ✓ Reform in 1999
- ✓ 3-pillar system
- ✓ 1st pillar: 16% of salary in virtual account in PAYG system, of which DC pension
- ✓ 2nd pillar: 2.5% into a fund as a compulsory payment
- ✓ 3rd pillar: employee funds (transferred from DB to DC, relates to over 90% of employees)
- ✓ Benefits and time spent studying also included into the first pillar
- ✓ Guaranteed minimum pension financed from tax (for people living in the EU min. 40 years, min. age 65)
- ✓ Possibility of saving individually (tax-preferred)
- ✓ Retirement age min. 61 (for first and second pillar), later retirement can be opted for (the employee is entitled to work until 67 years of age)
- ✓ 1st pillar is continuously balanced (indexation of future pensions)
- ✓ Replacement ratio 64% (49% from state) will drop to 46% (30% from state) in 2050

The Netherlands

- ✓ 3-pillar system
- ✓ State pillar ensures max. 50% of average salary (70% for „singles“)
- ✓ A condition is 50 years of contributions into the pay-as-you-go pillar (15 – 65 years), otherwise the pension is decreased by 2% for each year
- ✓ 2nd pillar:
 - Employee funds
 - Not compulsory, but traditional
 - Relates to 90% of employees
- ✓ Pension typically reaches 70% of last salary
- ✓ 3rd pillar: private tax-preferred savings
- ✓ A private PAYG system also exists, but its popularity is declining
- ✓ Retirement age will gradually be pushed back (to 67 years of age)
- ✓ Replacement ratio will grow from 74% to 81% until 2060 (the state component will drop from 44% to 41%)

Lithuania



- ✓ Reform in 2004
- ✓ 2-pillar system
- ✓ 1st pillar:
 - Pay-as-you-go, social security 26%
 - Pension: fixed base + parametric addition
- ✓ 2nd pillar:
 - Funded, voluntary
 - Cannot then be opted out of
 - Taking 5.5% from pay-as-you-go
 - Currently decreased to 2% due to the crisis
- ✓ The option of voluntary supplementary insurance also exists (minimum use) and employee funds (so far not even one)
- ✓ Retirement age 62.5 / 60 years of age
- ✓ Replacement rate 33% in the case of the first pillar will drop to 28% and 32% in the case of the second pillar

Poland



- ✓ Reform in 1999
- ✓ 3 pillars
- ✓ 1st pillar: NDC, PAYG, 12.22% of salary
- ✓ 2nd pillar: compulsory funded (private funds), 7.3% of salary
- ✓ 3rd pillar: tax-preferred employee funds and private savings
- ✓ Retirement age: 65 years of age for men, 60 for women
- ✓ The first women with a funded component retired in 2009
- ✓ Costs for funds limited by law
- ✓ Replacement ratio will drop from 56% to 31% (state to 26%)



Slovakia

- ✓ Reform in 2005 (and changes in 2008 – 10)
- ✓ 3 pillars
- ✓ 1st pillar: 15% of salary, DB, PAYG
- ✓ 2nd pillar: compulsory, 9% of salary into fund, DC
- ✓ 3rd pillar: voluntary, private, tax-preferred
- ✓ There is no minimum salary (compensated for by social benefits)
- ✓ Minimum saving period for entitlement to a pension in both pillars is 15 years
- ✓ Retirement age 62 years of age
- ✓ Possibility of remaining in the original, purely PAYG system (+ for some time, there was also the option of returning to it) in 2008 and 2009
- ✓ Funds must not make a loss on a biannual basis
- ✓ Costs for funds limited by law
- ✓ Replacement ratio will drop from 45% to 33% until 2060 (state part to 30%)

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Appendices

In which way do pensions from the pay-as-you-go system adapt?

Table 3 - Indexation of income-related pensions in Member States

| Variable | Member States |
|--|--|
| Wage growth | SI, DK and SE |
| Wage growth and change in pensioner-contributor-relation | DE |
| Prices and wages | BG, CZ, EE, CY, LU, HU, PL, FI, and SK, MT, RO |
| Prices | BE, ES, FR, IT LV, AT and UK |
| Prices and GDP growth (partially) | PT |
| Discretionary | EL, LT, IE and AT |
| Progressive | EL, IT, and PT |

Source: 2009 Ageing Report, Joint Report on Social Protection and Social Inclusion 2009.

Note: Belgium: prices + partial adjustment to living standards. Hungary: prices + partial adjustment to net earnings growth in case of high GDP growth.

Replacement ratio and share of the public and private pillars

| | Benefit Ratio (%) | | | | | |
|----|-------------------|------|----------|-----------------------------|------|----------|
| | Public pensions | | | Public and private pensions | | |
| | 2007 | 2060 | % change | 2007 | 2060 | % change |
| BE | 45 | 43 | -4 | | | |
| BG | 44 | 36 | -20 | 44 | 41 | -8 |
| CZ | 45 | 38 | -17 | | | |
| DK | 39 | 38 | -4 | 64 | 75 | 17 |
| DE | 51 | 42 | -17 | | | |
| EE | 26 | 16 | -40 | 26 | 22 | -18 |
| IE | 27 | 32 | 16 | | | |
| EL | 73 | 80 | 10 | | | |
| ES | 58 | 52 | -10 | 62 | 57 | -8 |
| FR | 63 | 48 | -25 | | | |
| IT | 68 | 47 | -31 | | | |
| CY | 54 | 57 | 5 | | | |
| LV | 24 | 13 | -47 | 24 | 25 | 4 |
| LT | 33 | 28 | -16 | 33 | 32 | -2 |
| LU | 46 | 44 | -4 | 46 | 44 | -4 |
| HU | 39 | 36 | -8 | 39 | 38 | -3 |
| MT | 42 | 40 | -6 | | | |
| NL | 44 | 41 | -7 | 74 | 81 | 10 |
| AT | 55 | 39 | -30 | | | |
| PL | 56 | 26 | -54 | 56 | 31 | -44 |
| PT | 46 | 33 | -29 | 47 | 33 | -31 |
| RO | 29 | 37 | 26 | 29 | 41 | 41 |
| SI | 41 | 39 | -6 | 41 | 40 | -2 |
| SK | 45 | 33 | -27 | 45 | 40 | -11 |
| FI | 49 | 47 | -5 | | | |
| SE | 49 | 30 | -39 | 64 | 46 | -27 |
| UK | 35 | 37 | 7 | | | |
| NO | 51 | 47 | -8 | | | |

Sources of data used

- EU: Privately Managed Funded Pension Provision And Their Contribution To Adequate And Sustainable Pension (<http://ec.europa.eu/social/BlobServlet?docId=743&langId=en>)
- EU: Progress and key challenges in the delivery of adequate and sustainable pensions in Europe (http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp71_en.pdf)
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- OECD: Survey Of Investment Regulation Of Pension Funds (<http://www.oecd.org/dataoecd/53/43/44679793.pdf>)
- PES: Final Report (http://www.mpsv.cz/files/clanky/8896/2010_06_03_Zaverecna_zprava_final_cistopis.pdf)
- EU: The impact of ageing on public expenditure: projections for the EU25 Member States on pensions, health care, long-term care, education and unemployment transfers (http://ec.europa.eu/economy_finance/publications/publication6654_en.pdf)
- IMF: Reforming Pensions: Myths, Truths and Policy Choices (<http://www.imf.org/external/pubs/ft/wp/2000/wp00139.pdf>)

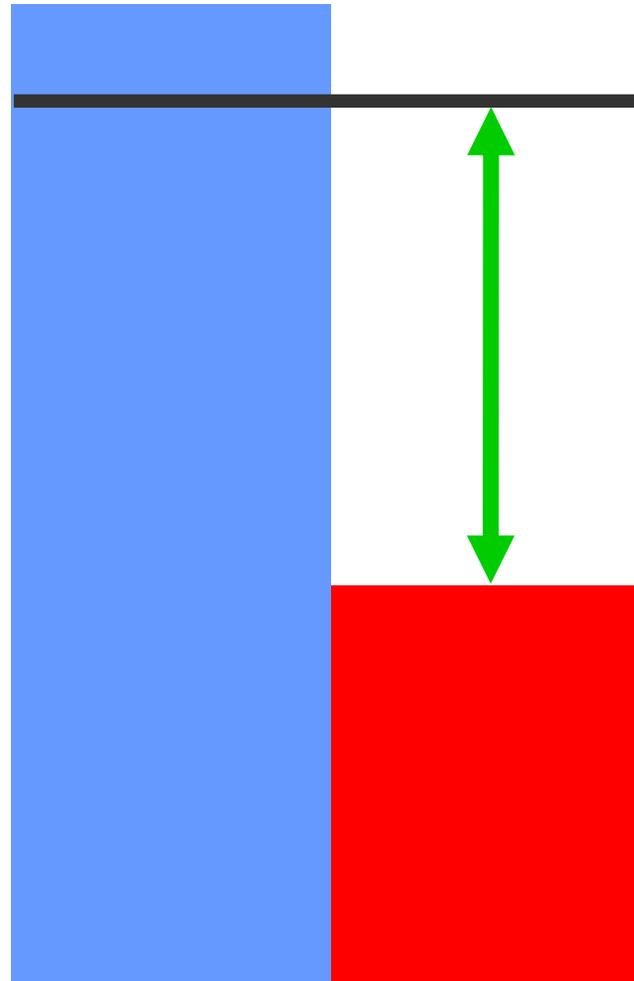
How the ČS Pension solution works

3. Recommended pension

On the basis of analysis of the expenditure of clients with various levels of income, we recommend a specific level of pension to the client on the basis of his/her income. Or the client may determine his/her level of pension himself/herself.

1. Client's net income

On the basis of the client's gross income, we display his/her current net income.



4. Difference and monthly deposit

We show the difference between the state pension and the recommended pension and propose a monthly savings deposit that will ensure the recommended pension in the future.

2. State pension

We familiarise each client with the level of state pension on the basis of his/her current income, age, sex and retirement age.

Content of the ČS Pension solution

PFČS supplementary pension insurance

- The basis of every ČS Pension solution
- Maximisation of the state contribution

Fund Plus

- Regular investing – horizon of min. 6 years
- Anticipated appreciation 4.5 % p.a.

Life cycle 2030 fund

- Regular investing – horizon 20 years
- Anticipated appreciation 5.5 % p.a.

The monthly deposit in terms of the ČS Pension solution will be divided between the stipulated products in such a way that it provides the client with the maximum appreciation to achieve the recommended pension.

According to the client's investment profile and/or in the case of clients with a period until they retire shorter than 20 years, the client need not be recommended the Life cycle 2030 fund.

Benefits of the ČS Pension solution

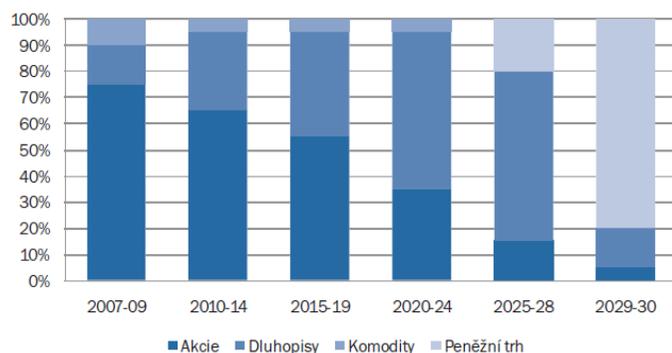
The Pension solution helps to maintain the client's standard of living

- ✓ Comprehensive and simple provision of a pension for the widest possible client base
- ✓ Optimum distribution of finances into several products ensuring:
 - Maximum state contribution for Supplementary pension insurance
 - Higher incomes thanks to regular investing
- ✓ Operation of all products via SERVIS 24
- ✓ Free insurance covering inability to make savings payments
- ✓ A long-term solution with subsequent care
 - Updating of the Pension solution no later than after 2 years
- ✓ Availability in the ČS branch network and also with ČS Partner external agents

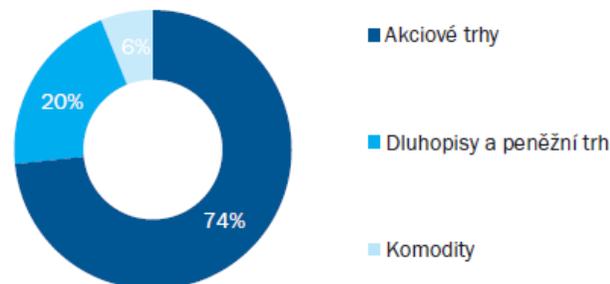
Life cycle 2030 fund

- ✓ Long-term investment horizon (2030 = roughly the year of retirement), suitable for regular investment.
- ✓ Standard fund of funds – at least 66% of assets are invested via funds
 - At the start = more dynamic assets: shares (fluctuation, but the highest incomes)
 - Over the course = share of shares is decreased at the cost of conservative assets with fixed interest
 - At the end of investing = only the most conservative assets: money market instruments
- ✓ Active management: versatility of share of shares, bonds and commodities depending on the expected development of the markets

Složení portfolia v jednotlivých letech



Current composition of assets in the fund according to asset classes



Fund Plus

- ✓ Long-term investment horizon (at least 6 years), suitable for regular investment
- ✓ Established specially for the purpose of investing for pensions as a supplement to Supplementary pension insurance
- ✓ Conservative AR (absolute return) of the fund
- ✓ The portfolio manager wants to achieve the best results with absolutely positive performance within the recommended investment horizon
- ✓ The fund portfolio manager invests in such a way as to balance the correct ratio between protection of the invested amounts and incomes from them

Current composition of assets in the fund according to asset classes

