

MAGYAR GERONTOLÓGIA

VOL. 16. CONFERENCE SPECIAL ISSUE/ KONFERENCIA KÜLÖNSZÁM

2024. Vol. 16. Conference Special Issue/ Konferencia Különszám

ISSN 2062-3690

[www.https://ojs.lib.unideb.hu/gerontologia](https://ojs.lib.unideb.hu/gerontologia)

Are the pension systems sustainable? Comparative perspective of Slovakia pension reform

Ondrej Botek

Associate professor, Ph. D., F.R.S.A. Department of Social Work, Faculty of Health Care and Social Work, Trnava university in Trnava, Slovak Republic

Keywords: pension reform, retirement age, pension system, Slovakia

2004 Pension reform in Slovakia introduced important changes in the Slovak pension system. Previous pay-as-you-go system was replaced by an obligatory two pillar system, including pay-as-you-go and individual capitalisation pillars, supplemented by a voluntary third pillar of individual savings, organised by private companies. These changes were necessary mainly due to demographic trends, like prolonging life, increasing the proportion of inhabitants over 65 and other. These trends clearly indicate that the previous system was not sustainable. Implementation of the new capitalisation pillar should ensure financial sustainability in the long term perspective, despite increased costs in the first period of transformation. Twenty years after the reform, there are still some myths that are often presented by both the general public as well as some politicians. This paper presents selected data that refute these myths. Despite the increasing retirement age, the period of receiving a pension is increasing, especially in males (from 16 years in 1950ies to 19,2 in 2020). There is a slow decrease in females (more

significant increase in the retirement age due to unification with the retirement age of men - in the previous period, men: 60 years, women: from 54 depending on the number of children).

Another myth emphasizes the low expenditure on pensions in Slovakia as evidence of a poor quality pension system. This interpretation is not correct, as it is evident that in countries with a less favourable age structure of the population, total pension expenses tend to be higher. Compared to Slovakia, countries with an "older" population have higher pension expenses.

Another frequent claim is that at this rate of raising the retirement age, I won't even live long enough to retire. The data show something else. Currently, approximately 79 percent of men will reach retirement age. Compared to 1990, it is 4 p.p. more despite the 2-year higher retirement age (before 1990, even fewer men lived to retire). From the historical point of view, most men live to retire today. Unlike men, approximately 91 to 92 percent of women live to retire today. This is mainly due to their lower mortality compared to men.

Conclusion

For the sustainability of the systems, we must take into account:

- A real increase in the ratio of pensioners
- Increase in life expectancy
- Necessary regular adjustments of the retirement age
- Transforming insurance systems, including income adjustment

References

Porubský, M. - Novýsedlák, V. 2018. Dôchodkový vek: Mýty a fakty. Available at: <https://www.rrz.sk/dochodkovy-vek-myty-a-fakty/>

Správa o vývoji sociálneho systému Slovenska – Welfare report. 2022 Available at: https://www.rrz.sk/wp-content/uploads/2022/02/02_WelfareReport_sprava.pdf

Správy o sociálnej situácii obyvateľstva Slovenskej republiky Available at:

<https://www.employment.gov.sk/sk/ministerstvo/vyskum-oblasti-prace-socialnych-veci-institut-socialnej-politiky/spravy-soc-situacii.html>