Pensions at a Glance 2025

Czechia

Czechia:
Pension system in 2024

The Czech pension system consists of a public pension scheme and a voluntary funded private scheme that becomes mandatory once joined. The public contributory pension scheme has a basic element and an earnings-related part calculated according to a progressive formula.

Key indicators: Czechia

		Czechia	OECD
Average worker earnings (AW)	CZK	549 741	1 046 016
	USD	23 355	44 439
Public pension spending	% of GDP	8.2	8.1
Life expectancy	at birth	80.0	81.3
	at age 65	83.6	85.0
Population over age 65	% of working-age population	35.7	32.6

Qualifying conditions

The standard retirement age is currently 64 years and 2 months for men and women without children. The age is gradually increasing for each birth cohort, reaching 65 in 2032. Thereafter the retirement age will increase by one month each year until it reaches 67 in 2056. Women who raised children have lower retirement ages depending on the number of children, but this possibility to retire earlier is being phased out. The retirement age for women with children is increasing at a faster rate so that all retirement ages will be 67. To be eligible for a pension at the standard retirement age, 35 years of paid or credited coverage is needed (30 years without credits). Individuals with 20 years of pension coverage or 15 years without credited periods can receive a pension benefit five years later than the standard retirement age for men of the same birth cohort. Under the 2024 reform the later retirement age will be lowered to two years above the standard retirement age.

Benefit calculation

Contributory basic

The value of the basic pension is equal to 10% of the legislated average wage. In 2024 this translated into an annual benefit equal to CZK 52 800.

Earnings-related

The earnings-related pension gives 1.5% of the reference wage for each service year. The reference wage is the average of all years of earnings from 1986, but it will gradually reach lifetime average. Past earnings are valorised by the growth of the legislated average wage.

There is a progressive benefit formula for the calculation of the reference wage through the use of monthly income thresholds. The first threshold is 44% of the legislated average wage and the second 400%. The first reduction threshold was equal to CZK 19 346 and the second was CZK 175 868 in 2024. Up to the first threshold 100% of the earnings is taken into account and between the first and second 26% of earnings are considered. Earnings over the second threshold are not considered. Following the 2024 reform the replacement rate for earnings in the first threshold will decrease by 1 percentage point per year from 2026 until reaching 90% from 2035. In addition, the 1.5% replacement rate in the benefit formula will decrease by 0.005 percentage points a year over the same period until it reaches 1.45%.

The combined total average pension benefit (flat-rate and earnings-related components) is indexed during retirement with the pensioner-specific price inflation, plus one-third of real wage growth.

Minimum

The total value of the minimum monthly public pension benefit is CZK 5 170, made up of a minimum earnings-related pension of CZK 770 plus the basic component of CZK 4 400. From 2026 onwards the minimum pension will be increased to 20% of the legislated average monthly wage from 11% in 2024.

Social assistance

The so-called “living minimum” for individuals (and therefore also pensioners that live alone) amounted to CZK 4 860 per month.

Variant careers

Early retirement

It is possible to retire three years before the standard retirement ages subject to 40 years of coverage. The total accrual factor (i.e., number of years of contributions multiplied by the accrual rate) is currently permanently reduced by 1.5% for each 90 days of early retirement (6% per year). From 2026, this penalty will be halved to 0.75% for every 90 days of early retirement if the individual has at least 45 years of coverage.

Late retirement

It is possible to defer claiming the pension beyond the standard pension age. The total accrual factor is increased by 1.5% for each 90-day period of deferral (6% per year). There is no additional pension accrual for deferred retirement.

It is also possible to combine pension receipt and employment. Currently the total accrual rate is increased by 0.4% for every 360 days of work if claiming the full pension and by 1.5% for every 180 days of work if only claiming half the pension. From 2026, the accrual rate will no longer increase by 0.4% for the full pension case. Instead, pensioners who receive full benefits and continue to work will no longer have to pay social security contributions for old-age, disability, and survivor benefits (equivalent to 6.5% of earnings), though they will still have to pay other social contributions.

Childcare

There are credits for labour-market absences during periods caring for children up to four years-old (or older in case of severe disability). These years are then ignored in the calculation of earnings for pension purposes so that these absences do not reduce the assessment base. (This approach is used for all non-contributory periods).

A CZK 500 top-up to the earnings-related pension is currently granted for each raised child. The value of this pension component is annually indexed using the same rule as for the earnings-related pension component in payment. Between 2027 and 2030 this additional payment will be eliminated for the first two children. Instead, periods of caregiving up to age 4 for each child will be credited to an individual's earnings record with earnings equal to the average national wage for the first two children. The CZK 500 top-up will remain for additional children.

Unemployment

Periods on unemployment insurance are credited in the pension system. The duration of unemployment insurance entitlement varies with age: five months up to age 50, eight months from 50 to 55 and 11 months for over 55s. In addition, up to three years spent unemployed without entitlement to unemployment insurance are also credited (but only one year of unemployment without benefits before the age of 55 is credited). The unemployment period used for the pension calculation is reduced to 80%, meaning that if an individual had five years' unemployment over the career, this would count as four years for pension purposes. If the unemployment period is in the decisive (reference) period for the average assessment base calculation, this period is excluded from the calculation and only the income from which the premium is paid is used.

Self-employed

The self-employed are covered by the same pension scheme as employees and the total pension contribution rate is 28% for both employees and self-employed workers.

The base for social security contributions is set at 55% of profits before paying social security contributions, with a minimum of 30% of the economy wide average wage.

Personal income tax and social security contributions

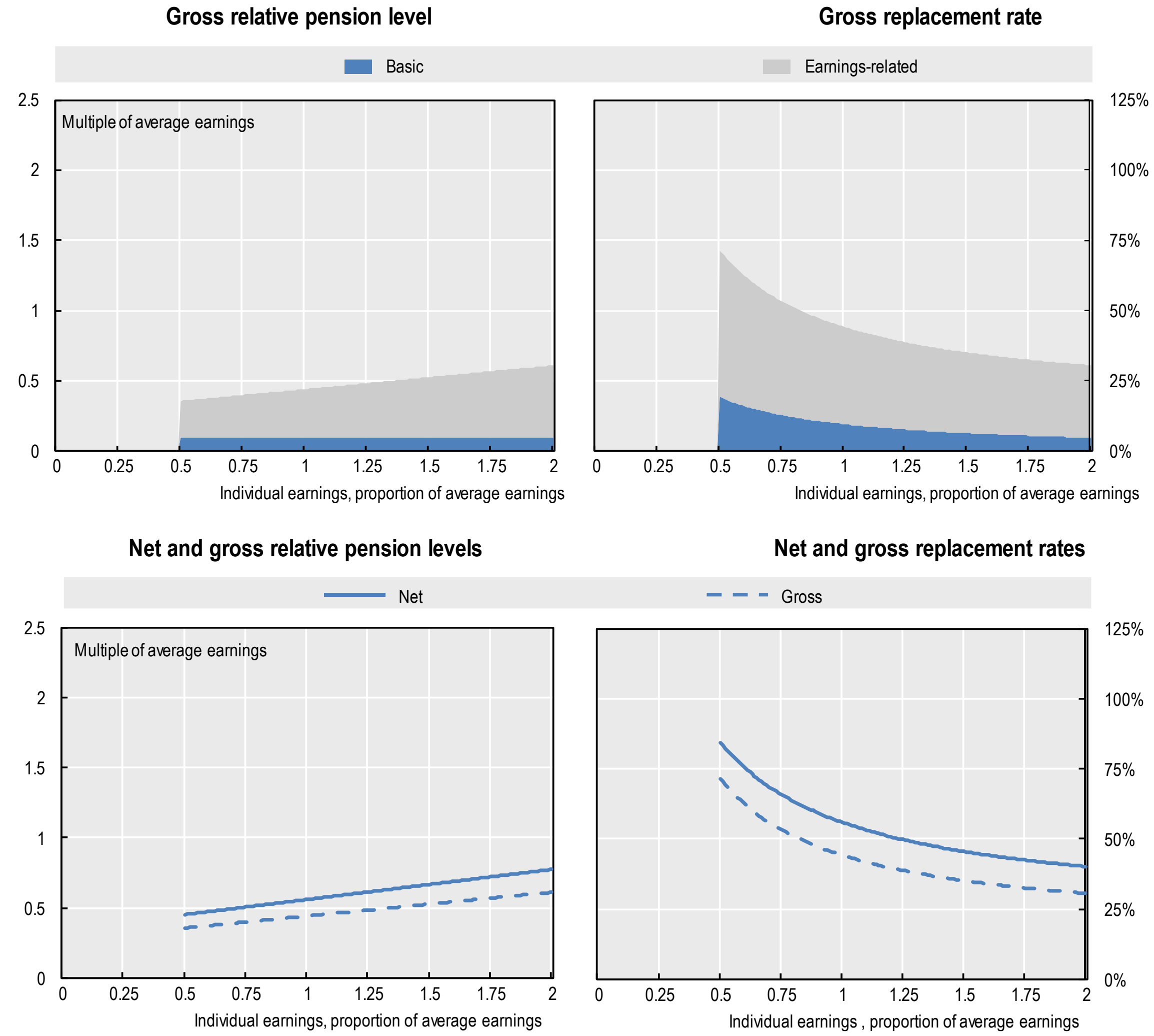
Taxation of pensions

Old-age pensions are not taxed up to a value of CZK 680 400 per annum. Above this the tax rate is 15%.

Social security contributions paid by pensioners

Recipients of pensions do not pay social security contributions from their pensions, but they pay social security contributions for income from work.

Pension modelling results: Czechia in 2069 retirement at age 67



Men Women (where different)	Individual earnings, multiple of average 0.5	 0.75	 1	 1.5	 2	 3
Gross relative pension level	35.7	40.0	44.2	52.7	61.2	78.1
(% average gross earnings)						
Net relative pension level	45.2	50.6	55.9	66.7	77.4	98.9
(% net average earnings)						
Gross replacement rate	71.4	53.3	44.2	35.1	30.6	26.0
(% individual gross earnings)						
Net replacement rate	84.4	65.9	55.9	45.5	40.1	34.6
(% individual net earnings)						
Gross pension wealth	13.3	9.9	8.2	6.5	5.7	4.8
(multiple of individual gross earnings)	14.8	11.0	9.1	7.2	6.3	5.3
Net pension wealth	15.8	12.3	10.4	8.4	7.4	6.4
(multiple of individual net earnings)	17.5	13.6	11.5	9.4	8.2	7.1

Assumptions: Real rate of return 2.5%, real earnings growth 1.25%, inflation 2%, and real discount rate 1.5%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equals 90%. Labour market entry occurs at age 22 in 2024. Tax system latest available: 2024.