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PhD Dariusz Prokopowicz

Institute of Sociology, Faculty of History and Social Sciences,
Cardinal Stefan Wyszynski University in Warsaw
(Warsaw, Poland)
darprokop@poczta.onet.pl

DEMOGRAPHIC, SOCIAL AND ECONOMIC DETERMINANTS OF THE REFORM PLAN OF THE FUNDED PENSION PILLAR BASED ON TRANSFER OF CAPITAL FROM OPEN PENSION FUNDS (OPFS) TO INDIVIDUAL RETIREMENT ACCOUNTS (IKE)

DEMOGRAFICZNE, SPOŁECZNE I EKONOMICZNE DETERMINANTY PLANU REFORMY KAPITAŁOWEGO FILARA SYSTEMU EMERYTALNEGO OPARTEGO NA TRANSFERZE KAPITAŁU Z FUNDUSZY OFE DO IKE

ДЕМОГРАФИЧЕСКАЯ, СОЦИАЛЬНАЯ И ЭКОНОМИЧЕСКАЯ ОСНОВА ПЛАНАРЕФОРМЫ ФИНАНСОВОЙ СИСТЕМЫ ПЕНСИОННОГООБЕСПЕЧЕНИЯ НА БАЗЕ ПЕРЕДАЧИОБЩИХ ПЕНСИОННЫХ ФОНДОВ В ИНДИВИДУАЛЬНЫЕ

Abstract

The article describes the demographic, social and economic determinants of the capital reform plan of the funded pension pillar based on the transfer of capital from Open Pension Funds to the Individual Pension Accounts system. The purpose of the planned pension reform is to improve the efficiency of the capital pillar of the pension system. The reform should also counteract the negative impact of demographic change, i.e. the aging process, on the public finances of the participatory pension system managed by the Social Insurance Institution. From mid-2016, the Ministry of Development presented the "Capital Building Program" that is an important pillar of economic policy developed in Poland in 2017 at press conferences organized by the Warsaw Stock Exchange. The main assumptions of this economic policy are laid down in the so-called plan for responsible development.

Keywords: *Retirement Plans, Individual Retirement Accounts, pension reform, public finances, demography, stock market, economic growth, economic policy.*

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Streszczenie

W artykule opisano demograficzne, społeczne i ekonomiczne determinanty planu reformy kapitałowego filara systemu emerytalnego opartego na transferze kapitału z Otwartych Funduszy Emerytalnych do systemu Indywidualnych Kont Emerytalnych. Celem planowanej reformy emerytalnej jest poprawa efektywności funkcjonowania kapitałowego filara systemu emerytalnego. Reforma powinna także przeciwdziałać niekorzystnemu wpływowi zmian struktury demograficznej, tj. procesowi starzenia się społeczeństwa na finanse publiczne partycypacyjnego systemu emerytalnego prowadzonego przez Zakład Ubezpieczeń Społecznych. Od połowy 2016 roku Ministerstwo Rozwoju przedstawia podczas konferencji prasowych organizowanych w sali notowań Giełdy Papierów Wartościowych w Warszawie "Program Budowy Kapitału", który jest istotnym filarem rozwijanej w 2017 roku w Polsce polityki gospodarczej. Główne założenia tej polityki gospodarczej są określone w tzw. Planie na Rzecz Odpowiedzialnego Rozwoju.

Słowa kluczowe: *system emerytalny, emerytura, Otwarte Fundusze Emerytalne, Indywidualne Konta Emerytalne, reforma emerytalna, finanse publiczne, demografia, giełda papierów wartościowych, wzrost gospodarczy, polityka gospodarcza.*

Аннотация

В статье рассматриваются демографические, социальные и экономические детерминанты плана реформирования капитала столпа пенсионной системы, основанной на передаче капитала из открытых пенсионных фондов в системе индивидуальных пенсионных счетов. Цель планируемой пенсионной реформы является повышение эффективности капитала составляющей пенсионной системы. Реформа также должна противодействовать негативные последствия изменения демографической структуры, то есть. Процесс старения государственных финансов участие пенсионномплан управляет Институтом социального страхования. С середины 2016 года Министерство развития ПРЕДСТАВЛЯЕТ во время пресс-конференций, проводимых в торговом зале фондовой биржи в Варшаве «Строительство программы Капитал», которая является важным элементом вниз в 2017 году экономической политики в Польше. Основные допущения экономической политики определены в так называемом. План ответственного развития.

Ключевые слова:*пенсионная система, выход на пенсию, открытые пенсионные фонды, индивидуальные пенсионные счета, пенсионная реформа, государственные финансы, демография, фондовая биржа, экономический рост, экономическая политика.*

Introduction

Analyzes conducted by the demographers indicate that in recent years, the process of population aging has accelerated significantly in Poland. Several sources have been

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identified for this process negatively affecting the national economy, including the drop in fertility rates, i.e. the births of children in families in Poland, the trips abroad in search for work, mainly in case of younger Poles, and the progress in medicine. At present, economists agree that a relatively fast-paced progress in Poland in the absence of a proper family policy could become a serious ballast for the effective development of the Polish economy not only in the next few years, but also decades. The medium-term of a dozen years would be related to prolonged deepening demographic decline which would entail a decline in employment in the education sector and then there might be problems in the labor market which would mean too few employees to work in the segment of younger-age citizens entering the labor market [*Basic information on the demographic development of Poland* ..., 2014, p. 92].

On the other hand, long-term prospects say that the demographic decline and deepening aging of the society would lead to the continuation of financial problems in the public pension system based on the Social Insurance Fund administered by the Social Insurance Institution in Poland. These successively deepening problems in the public participative pension system would inevitably lead to a decrease in the replacement rate coefficient in relation to the citizen's tax revenue and the level of paid pensions, despite the successively extended retirement age. In the participatory pension system, i.e. in the one in Poland the people who work and pay taxes and benefits to the Social Insurnce Institution [A. Pątek, 2016, p. 20] provide the public with financial means for the payment of current pensions for persons being at the pensionable age.

In the situation of a deeper aging of the population, these retirement funds for pensioners will be automatically reduced. Similar problems could also be aggravated in the public health system. As a consequence, counteracting these unfavorable demographic trends should be a key priority in the government's social policy objectives. The current government has started work on programs that are key segments of socio-economic policy to counteract these unfavorable trends in the demographic structure of the society in Poland. The key components of the socio-economic policy are, first and foremost, these programs: 500 Plus program, Apartment Plus program and the planned reform of the pension system. An outline of the main assumptions of this reform was presented by Deputy Prime Minister, Minister of Development Mateusz Morawiecki on 4 July 2016 at the "Capital Building Program" Conference organized at Hall of Quotation at the Warsaw Stock Exchange [*Morawiecki guarantees* ..., 2016]. Presenting the key assumptions of the reform of the capital pillar of the pension system in Poland at the Warsaw Stock Exchange holds a symbolic dimension, as the result of this reform is the implementation of the Capital Building Program in which the stock market of securities will play an important role. Taking into consideration the functions of this market considered in the context of effective development of domestic economy, the Ministry of Development, also through this symbolism of the place of conducting these press conferences, suggests to the public the significant role of the WSE market [D. Prokopowicz, A. Dmowski, 2010, p. 139) in Warsaw in the context of the development of instruments to mobilize citizens to save money and thus to create capital that will enable the investment projects of national companies operating in Poland.

1. Aging as a socially and economically unfavourable demographic process in Poland

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At the beginning of this paper, one of the most important social and economic problems which appeared in Poland a few years ago, was pointed out, however, according to demographers, the severity may occur in the next few decades. This is a particularly important problem which can make it impossible to achieve the accelerated development of the Polish economy in the future is the process of society aging. To counteract these unfavorable demographic processes, the current government in Poland has undertaken to implement a family policy plan on a scale unprecedented in Poland since 1989, which underlines a completely new strategic approach in shaping the socio-economic policy of the state. This completely new strategic approach assumes the planning and implementation of socio-economic policy for the long-term, multiannual perspective, taking into account the demographic and economic forecasts and the social and economic consequences of these processes for the next several decades. With such a serious and crucial problem, which is deepening of the aging process in Poland over the last ten years, the application of necessary reforms in key areas of social policy is inevitable. [N. Morel, B. Palier, J. Palme, 2015, p. 38]. However, the long-term approach to plan specific solutions for this policy can only really be successful in achieving the intended objectives. Taking into account the short- and medium-term objectives, ie for several quarters and several or more years, the reform of family policy should improve the situation on the labor market and maintain a certain level of domestic consumption. On the other hand, the realization of long-term goals, ie for a period of several decades, is connected with counteracting the state financial crisis due to the currently forecasting deepening economic inactivity and the growing deficit in the Social Insurance Institution (ZUS) budget replenished by transfers from the state budget [M. Hill, 2010, p. 81].

Consequently, the current government, as expected by voters who also think about their future and their children's future as the first government since 1989, has begun to reform and implement the key segments of socio-economic policy, the long-term goals of those current actions and the activities already recognized by the demographics and economists as necessary. One of the segments of this kind of socio-economic policy reform is the creation and implementation of a family policy that would support families financially but also to secure the existence of citizens in Poland in such a way that would make Poles afford to have, maintain and raise children. [F. Adamski, 2002, p. 74]. Currently, a significant part of this reform of social policy, which aims to increase fertility, ie increasing the generational substitution and reducing the unfavorable demographic aging of the population, is the financial support program for families raising children [J. Frątczak-Muller, 2014, p. 68]. The reform process undertaken in this way will be implemented comprehensively by successively introducing into the subsequent programming segments of the family social poli- cies. One of these program segments of this new policy is already being implemented is the 500 Plus Program [M. Rogal, 2016, p. 37]. It should be noted that the term "new" family policy refers primarily to the scale of the program, which according to the plan of this Program is to be introduced in Poland. Considering this issue, it should be noted that this is the first such large scale family planning program since 1989.

Taking into account the extreme unfavorable forecasts concerning the future Polish economy in demographic changes for the next 20-30 years, it is indisputable that today it is, in fact, the last moment to introduce such a family policy program.

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According to current forecasts, the population of Poland by 2060 will decrease by about 5 million people (to 33.2 million), the number of people aged 65+ will reach almost 11 million (33% of the population), and the number of people of working age will drop by 9 million - from about 27 million to 18 million. Some research centers draw even more pessimistic predictions. According to the Janusz Korczak Institute of Social Innovation in 2050 it may be six million Poles less than at the moment due to demographic changes and low birth rates. The basis for this projection is the statistical data with which generational renewal is obtained at the fertility rate of 2.14. At this moment in Poland we have a fertility rate of 1.3. These disturbing figures show the 2015 Report published by the European Commission [The 2015 Ageing Report, 2015]. The 2015 Ageing Report identifies Poland as one of the countries most affected by the aging of the population. In Poland, the ratio of non-respondents aged 65+ to the total working age will change from 21%. in 2013 to over 61%. in 2060. This will be, after Slovakia, the highest growth among the countries of the European Union.

On the other hand, these predicted unfavorable demographic changes will further increase the deficit and undermine the effectiveness of the participatory retirement pension system. In a situation of progressing aging society will become increasingly economically inefficient and in the future it will be increasingly difficult to re-form. Without the necessary reforms, there will be a gradual increase in the budget deficit of this pension system and the risk of losing current liquidity. The pension system is fundamentally based on the conception of generational renewal, i.e. the formula which, with the progressive aging of society, loses its raison d'être. As a result, this system is becoming increasingly indebted, contributing to successive expansion of the productive and economic power of the Polish economy [D. Prokopowicz, S. Gwoździewicz, 2015, p. 208), this system becomes successively more and more antisocial, generating social conflicts, and increasingly it is or should be the subject of discussions, debates and social consultations on the essence of justice in social insurance systems and how much the system of the Social Insurance Institution has been far from this essence.

But the problem of population aging is not the only source of successive increase in the risk of current liquidity, deficit in the budget of the Social Insurance Fund and the prospective economic insufficiency of the pension system in Poland. According to economists' forecasts, without the introduction of necessary reforms whose introduction and implementation were undertaken by the current government, it will mean that in the future, currently employed Poles will receive relatively low replacement pensions at an average level of only 30 percent of the average salary from the last years of professional activity. This low 30% replacement rate is a derivative of the policy pursued after 2000 and the lack of necessary reforms demanded by economists. Particularly damaging to the social security system and public finances was the government of the PO-PSL coalition in 2007-2015 which almost completely dismantled the capital pillar of the pension system, ie the real "moneybox" of future pensioners organized in the form of open pension funds . Disassembly consisted mostly of cashing 60% of the private equity fund raised by the beneficiaries of this system, i.e. future pensioners and a significant reduction of the part of pension contributions transferred from the Social Insurance Institution (ZUS) to OPF funds. The transfer and nationalization of this fund of OPF funds allowed the transfer of funds to in the Social Insurance Institution funds [A. 2016, p. 20] to reduce the debt of the Social Security Fund, which was limited to only two years. In spite of preventing the nationalization of the private capital of the beneficiaries of the system and the consequent loss of the capital pillar and the "recapitalization" of those funds collected in the Fund, the Social Insurance Institution will continue to be an increasingly impoverished institution Future pensioners can not count on high pensions in such a structured system. In the absence of the necessary reforms of the socio-economic policy, the aging process of society in Poland will continue to progress rapidly, and then the scale of unfavorable trends in this area in the future will be even greater than the one presented above. Among others, currently defined as 30%. The above mentioned replacement rate would actually be still significantly lower. It is precisely to counteract these proxies of unfavorable demographic processes and the increasing risk of insufficient participation of the pension system. The current government has undertaken a great task of introducing a new family policy in Poland [The 500+ Program, ..., 2015 , p.36], aimed at increasing fertility, i.e. increasing generational renewal and reducing the scale of progressive demographic aging. The key segments of this policy are the April 500 + Program [M. Topolewska, 2016, p. 42] and, launched in December 2016, Apartment Plus Program [2017], which are the key pillars of the pro-development socio-economic policy to be implemented in Poland in the coming years.

2. Social and economic determinants of the need to reform the pension system in Poland

Returning to the problem of the pension system in Poland, economists basically claim that given the various economic and social conditions, etc., in Poland we have one of the most anti-social and anti-grassroots constructs of participatory public pension systems. The current government plans to reduce the scope of this anti-socialism significantly by eliminating state extra pensions paid for longer than a quarter of a century for activists, agents and officers, communist security services, post-Soviet security services established and operating in Poland. on behalf of and in the interests of the Soviet Union. This will not only improve the economic viability of the system, but will also create a pro-social public pension system with the elementary principles of social justice. The anti-social and anti-grassroots formulation of this system was primarily related to the fact that the officers of communist security services in Poland who had contributed to the totalitarian communist regime and fought all provocative, including solidarity social movements, received over a quarter of a century in the previously reported free III RP a few or more dozen times higher pensions than analogous benefits received by other Poles, including those fighting the Communist regime of post-Soviet Poland. Consequently, the current government will make reparation and restoration of the prosocial nature of the ever more unjustly social and unjustifiable economic participation of the existing pension system in Poland.

So far, the participatory pension insurance system in Poland, based on the assumption of the replacement of generations, ie the formula which, with the progressive aging of society, loses its function of generational renewal becomes increasingly indebted and through multi-million dollar transfers the state budget contributes to diminishing expenditures for the development of the Polish economy. The problem of economic inefficiency of this system in the past years contributes to successive deterioration of the productive and economic potential of the Polish economy [A. Giza, M. Sikorska, 2013, p. 69]. Consequently, such a system without successive reforms would become progressively more and more anti-social, generating social conflicts. Positive but ignored by politicians in previous years, the issue of this problem was a potential threat to the growing economic insecurity of the pension system in Poland in the context of state public finances. In occasional debates and discussions, in some media, public discussions on the essence of economic efficiency and social justice in pension insurance systems have rarely been conducted, and on how much the Social Insurance Institution system has departed from that.

The economically inefficient pension system also generates social problems in modern societies of developed countries, especially those in which the aging process has already been observed. In the context of economically insufficient pension systems, the social problems of deepening intergenerational mental differences may intensify. The transmission of key values and the deepening of family bonds from successive intergenerational times may gradually disappear. Sociologists point out that these important social aspects of modern, civilized and aging societies are beginning to worsen [S. Cudak, E. Adasiewicz, 2014, p. 73]. The growing insecurity of a participatory pension insurance system can aggravate the problems associated with the erosion of eternal values cementing family ties, including respect and intergenerational family support, ie, the most enduring entities of all for their future and history. [F. Adamski, 2002, p. 51]. Such a system gradually loses its role as a social security, and in its idea it increasingly moves away from the essence of insurance known from economically-operating insurance companies. The pension reform initiated in the late 1990s by the creation of OPF funds was intended to counteract the ever-increasing public deficit system of the Social Insurance Institution pension system [A. Pątek, 2016, p. 35] to which the state budget already pays about 50-60 billion zlotys (according to data from several previous years). The continuation of the reform in subsequent years after the creation of the OPF funds to create a participatory system based on elementary principles of social justice has not yet been realized. As a consequence, the majority of young people entering the labor market of Poland do not have confidence in a ZUS-based pension system, and would prefer to leave the system altogether if it was legally possible. Instead of maintaining an increasingly inadequate and socially inopportune system, more and more young, politically active Poles prefer to put off their own retirement, which would be a fairer social solution than it is now. The reform of the pension system, based on the creation of OPF funds, was at least symbolic, partly to bring the ineffective eco- nomically and socially retired system to a system that would have a real basis for functioning in terms of economic efficiency and social justice. [*The Ageing Report, 2015*].

The dismantling of this reform carried out by the previous political camp ruling the PO-PSL coalition, which exercised over the previous eight years, has fundamentally undermined the objectives of this system. On the occasion of the government charging the PO-PSL coalition, the part of the OPF bond, ie taking away 60% of the savings from private pension funds from the citizens and transferring the nationalized money to the Social Insurance Institution for the purpose of partial debt relief, established a lack of confidence in Poles' over the past few years. After all, in the context of the financial crisis cynically used by supporters of the nationalization of private pension savings of public funds accumulated in OPF funds as an argument to dismantle the capital pillar, it appears that some media economic commentators They created non-objective secondary theories, subjectively to a specific political option they were in favor of. In this way there are no objective,

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substantive economic theories, only demagogues, ideologies created according to the temporal political needs of certain interest groups with disregarding social needs and ignoring citizens. In this way, ideologies that perpetuate social divides are ennobled and serve the society.

3. Plan to reform the funded pillar of the pension system presented in mid-2016 by the Ministry of Development

During a press conference organized at the beginning of July 2016, Deputy Prime Minister Morawiecki presented a plan for reforming the funded pillar of the pension system based on the functioning pension system in Poland [Morawiecki: there are no plans to nationalize pension funds, 2016]. According to the Ministry of Development, the reform will start in 2018. The key assumptions of this reform are the transfer of funds raised in Open Pension Funds to Individual Retirement Accounts. This process is described by the Deputy Prime Minister Morawiecki as a privatization and restoration of the majority of the funds raised by private pension funds in the Individual Pension Funds system. The funds transferred to the OPFs are to be redeployed to the Demographic Reserve Fund, i.e. a fund from which the funds were significantly reduced by the previous government in the years 2017-2015. Thus, a message was sent to the public, whose function was to dispel doubts about the issue of accessing funds from the current government, which could be a continuation of the process of significant reduction of the pension savings of the Poles by the previous government of the PO-PSL coalition. In addition, the slides presented by the Ministry of Development at the press conference presenting the main assumptions of the planned reforms aimed at calming primarily the future retirees and capital market stakeholders on emerging issues with regard to the probable liquidation of OPF funds.

On the other hand, during the above-mentioned Press Conference organized in July 2016 in the WSE in Warsaw new, not fully clarified issues of the planned reform of the funded pillar of the pension system. At this Conference, suggestions were made that the current government, based on funds collected at the OPF, plans to create another segment of the sources of funding for Polish industrial development programs included in the Plan of Responsible Development. In the formula presented above, the reform of the capital pillar of the pension system is reflected in the concepts of anti-cyclical activation and stabilization of economic growth [S. Gwoździewicz, D. Prokopowicz, *The role and application ...,* 2015, p. 54]. According to the formulated assumptions of the pension scheme, the presented reform proposals may be an important segment of the socio-economic policy and have been presented several times by the Ministry of Development at press conferences since the end of 2015 [K. Kolany, 2016]. The key issue of this plan is the expansion of investment instruments for the activation of new investment projects that should accelerate economic growth in Poland. In this context, the Plan is structured as a program of socio-economic policy, which should increase the systemic security of the Polish economy in the context of future, potential new global or regional economic crises that may arise [D. Prokopowicz, *The Importance of* ..., 2016, p. 62]. At the beginning of July 2016 at the conference of the Warsaw Stock Exchange, Deputy Prime Minister Mateusz Morawiecki presented the main assumptions of the planned pension reform which is a key assumption for the transfer of funds deposited at the beginning of 2018 from OPF funds to Individual Retirement Accounts. The emerged reform implemented in this way is to be the first stage of the process, which is called the Capital Building Program of the Poles. From the main assumptions of the Polish Capital Building Program presented in July 2016, the current pension funds accumulated in the OPF funds will be divided into two parts, which will reach completely different segments of the future reformed pension system. An important issue is the planned transfer of 1/4 of the raised funds to the Demographic Reserve Fund, which belongs to the public social insurance system of ZUS. In this way, the retirement pension system based on the Social Insurance Institution (ZUS) system will be "secured" with the financial buffer from the above-mentioned transfer of 1/4 part of the OPF fund. Thanks to this financial buffer, the Social Insurance Institution will receive additional funds for which it will be able to revalue the retirement benefits paid to current pensioners over the next several years. In this way, with low vigilance of the social consciousness of the Polish society, the next part of the pension capital, which seems yet to be real, will be nationalized and consumed by the indebted ZUS, which will reduce its debt for several years. This will thus "nationalization" of at least 1/4 of the current capital of the OPF funds. The remaining part is 75% of OPF funds will be available for Individual Retirement Accounts, but in this issue there are the most unknown [K. Kolany, 2016].

Part of the citizens in Poland, who have yet to accumulate the pension funds at OPFs from which they are to be paid to the holders of these pension funds, may be relieved by the part of the Poles because at the Conference on 4 July 2016 at the Hall of Quotation of the Warsaw Stock Exchange, Deputy Prime Minister Morawiecki declared that the government was not going to nationalize these funds. At present, financial assets accumulated on individual accounts of citizens in Open Pension Funds are held by a significant part of Poles estimated at 16.5 million OPF participants. According to the current estimates, the sum of the assets accumulated in pension funds for pension funds amounts to approximately 6.3 thousand. per person and approximately the amount will be transferred to Individual Retirement Accounts (IKE). This part of the financial capital collected for the retirement of the Poles, which remained after the redemption of the bond portion of the financial funds accumulated in the OPF, during the "hunt for cash" made by the previous government, will not be nationalized and there will be no further dismantling of the diversified pension system. The remainder of the pension funds held in the second capital pillar of the OPF will go to the third pillar, but the change is a key issue confirming the private nature of these funds. Deputy Prime Minister Mateusz Morawiecki said at the conference that the OPF system did not meet expectations, did not provide higher retirement and therefore did not finance economic development. Morawiecki also stated that the government has prepared a very good plan for how to build Polish capital. “The plan is that we want to give the money from OPF to the Poles”, added Deputy Prime Minister.

4. Improvement of the economic situation in 2016-2017 as a factor conducive to the reform of the funded pillar of the pension system in Poland

As announced by Deputy Prime Minister Morawiecki, from the beginning of 2017, the second quarter of this year is about to begin the process of refining, completing the final form of the pension reform plan and starting the legislative process, which is due to end with the adoption of the relevant laws. These laws should be adopted in the final form at the latest by the end of 2017, because they are expected to enter into force as early as 2018 [IDM:

transfer from OFE ..., 2016]. It can therefore be assumed that the potential adverse impact of this reform on the Warsaw Stock Exchange should not be at least until the end of 2017.
If economic growth in Poland is to accelerate gradually in 2017, it should translate into a continuation of the situation on the Warsaw Stock Exchange [D. Prokopowicz, A. Dmowski, 2010, p. 285]. The improvement of this situation has occurred since the election of new President Donald Trump in the United States. President Trump has announced a new program of economic reforms and investment growth, also in the US public sector, which has been translated into continued rising of US stock market indices on the largest US and global stock markets. Donald Trump's economic program is built on the concepts of classical Keynesian state interference, which aims to generate economic growth of the domestic economy in the perspective of several years [S. Gwoździewicz, D. Prokopowicz, The role and application ..., 2015, p. 53]. The improvement of this situation on the capital markets from November 2016 also reached the Warsaw Stock Exchange. From November 2016 to March 2017, the main indexes of the Warsaw Stock Exchange increased by about one-third of their October value. From January 2017 forecasts of economic growth for the Polish economy are successively raised by several domestic and foreign financial institutions, including by foreign rating agencies, which a year ago showed very different, significantly weaker recommendations concernig Polish economy. For 2017 there is forecasted by key financial institutions, including the National Bank of Poland [D. 169] and government agencies a significant increase in investment, also in the public sector, with a growing share of the use of EU funds. At the end of March 2017, some commercial banks in Poland announced positive economic recommendations to the Polish economy, increasing their economic growth forecasts by 3.5 to 4.0 percent. If these positive trends continue, the unemployment rate in March 2017 oscillates around 8% and will continue to spur on growth in income, employment, production and investment, then good economic situation on the Warsaw Stock Exchange may continue until the end of 2017. However, we do not know what will happen in this case at the Warsaw Stock Exchange when the announced pension reform plan for the exchange of OPF funds for IRF will be implemented in early 2018.

Figure 1. Preliminary assumptions of changes in Open Pension Funds – a new pension social agreement.

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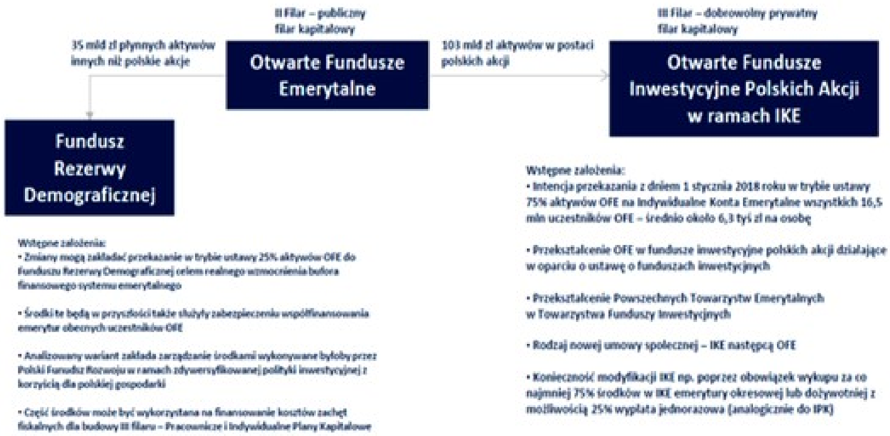


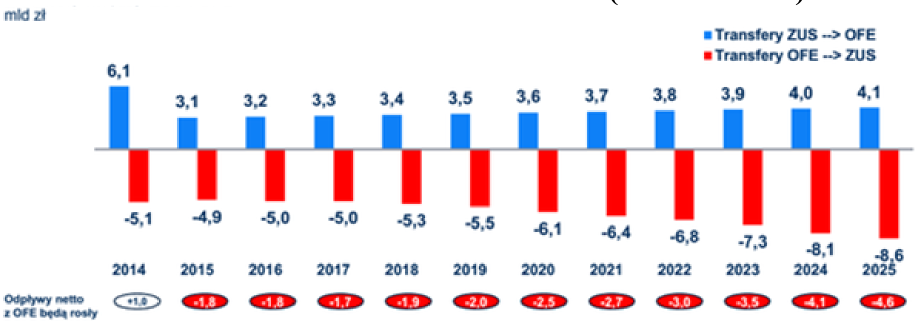
Source: *Morawiecki: We want to give the money from OFEs to the Poles*, (in:) financial portal: „Bankier.pl", 4.7.2016,(http://www.bankier.pl/wiadomosc/Morawiecki-Pieniadze-z-OFE-chcemy-przekazac-Polakom7428039 .html), after: the Ministry of Development..

As announced by the Ministry of Development, the Poles Capital Building Program, launched in mid-2016, assumes the development of a type of investment fund that would be one of the key financial sources in the Responsible Development Plan. According to the plan announced by the Ministry of Development over the next 10 years since the introduction of the reform in 2018, the new capital expenditure with the contribution of 4% to the Polish capital market is estimated at over PLN 120 billion what constitutes about 5 % of GDP or PLN 208bn, i.e. about 8% of GDP at the level of the average premium set at 7% [M. Stańczyk, 2016]. In addition, the Ministry of Development is planning to increase GDP in Poland in the years following 2018, which would also be a derivative of successively rising rates of savings and investments in the economy. In the situation of these forecasts, the growth rate of GDP would increase by approximately 0.4 percentage points a year. Consequently, the multifaceted nature of the planned reform of the funded pillar of the pension system and consequently the implementation of the Capital Building Plan will require a number of legislative changes, including the adoption of new laws, which is scheduled for 2017.

5. The Ministry of Development's arguments on the need to reform the funded pillar of the pension system

At the above-mentioned conference, presenting the reform plans concerning OPF the investors would be interested in the content of the two slides. It is clear from the content of one of these slides that OPF funds should be liquidated because, according to the Ministry of Development, in the coming years, their assets will not grow, which in consequence will not translate into an increase in the value of these funds. The key aspect of this thesis is the already functioning mechanism of the slider, ie the transfer of 1/10 of the accumulated capital to the Social Security Fund of ZUS in the future of retirees, which until the retirement age is 10 or less years old. According to the analyzes of the Ministry of Development, through the mechanism of transferring part of OPF's capital to current pension payments realized through ZUS, the assets of OPF funds have gradually decreased, which may also translate into the sale of shares remaining in OPF funds [K. Kolany, 2016]. All this argumentation is presented in a very general way and at times even probably intentionally enigmatic in order to avoid the emergence of uncomfortable questions and counterbalance to the reform plan that might emerge in the mid-2016 social consensus. One such question might be the question of whether the use of the above-mentioned "slider" mechanism would be justified if this "slider" was the direct cause of the reform of the capital pillar of the retirement system, consisting in the liquidation of OPF funds. If, according to the Ministry of Development, the "slider" is the main reason for the liquidation of OPF in the reform process planned for 2018, so it would suffice to liquidate this "slider" and the problem of fund-raising in OPF funds by it automatically disappeared. The key reason for the need to liquidate OPFs would have disappeared.

Figure 2. Transfers of financial capital of future pensioners between the Social Insurance Institution and OPFs (in PLN billion).



Source: K. Kolany, *What will the government do with OPFs?* (in:) Onilne finncial portal: "Bankier.pl", 4.7.2016, (http://www.bankier.pl/wiadomosc/Co-rzad-zrobi-z-OFE-7428278.html) after: the press conference of the Ministry of Development of 4 July 2016.

Accordingly, the argument put forward by the Ministry of Development and by institutions which are not related to the capital market in Poland is interpreted as a secondary search for an explanation of the reform future direction of the pension system capital pillar. Institutions such as brokerage houses, investment funds and banks operating in Poland [D. Prokopowicz, A. Dmowski, 2010, p. 289] whose economic functioning is largely terminated with the boom on the Warsaw Stock Exchange, interpret the above-mentioned argumentation of the liquidation of OPFs as a reason for the implementation of the policy pursued against the capital market in Poland for the government of the PO-PSL coalition in 2007-2015. At that time, the government under the leadership of Prime Minister Donald Tusk and Finance Minister Jacek Rostowski in 2011-2013 dismantled and liquidated most of the capital pillar of the pension system, which in practice means the real conviction of this part of Polish pension insurance for successive marginalization and liquidation. In this way, the systemic effects created during the reform of the pension system, which was launched in the late 1990s by the creation of an alternative in the form of OPF funds for the increasingly economically inefficient ZUS income-cost accounting are being gradually abolished. Therefore instead of improving the efficiency of the fund's operations, they are successfully capitalized and liquidated. Instead of improving the functioning of the pillar of the pension system, i.e. the real money market for future pensioners, creating a key pillar at the end of the 1990s that was built at the end of the secure portfolio concept, all the effects of the earlier real reform of the pension insurance system of Poles were abolished. Returning to discussing the main assumptions of planned changes in the capital pillar system by mid-2016, attention should be paid to the issue of transfer of 25 percent. capital accumulated in OPF funds to the Demographic Reserve Fund. This means that financial capital of about PLN 35 billion will be provided by the Social Insurance Institution (ZUS), which will significantly reduce the deficit of this money in the perspective of several years. In order to transfer to ZUS this part of the capital of OPF funds will be the sale of shares of foreign companies and debt securities, ie corporate bonds, local government bonds and pledged bonds, which are still present in OPFs portfolios. The need for retirement pensions in the next few years. Another slide presentation prepared by the Ministry of Development and led by Deputy Prime Minister Morawiecki at the beginning of July 2016 shows that the remaining ¾ of the funds of OPF funds, which are already constituted exclusively by the shares of domestic companies listed on the Warsaw Stock Exchange, were converted to equity of Individual Retirement Accounts. Accordingly, accumulated by 16.5million future pensioners and current members of OPF funds will go to Individual Retirement Accounts through the mechanism of their so-called. privatization and transfer to the beneficiaries. But no details like this mechanism would work until now. The Ministry of Development did not provide any details. However, from what has been publicly announced, it is known that at least until the end of 2017, OPF funds will not be forced by the government to sell the remainder of the accumulated capital and the current government does not plan to directly nationalize the total capital currently accumulated in the pension fund. Perhaps the Ministry of Development plans to convert the existing share of OPF funds into a new variant of the Investment Funds Company, already known to us from the 1990s. Despite announcing that this financial capital is to be contested and transferred to the beneficiaries of the system, i.e. future pensioners, participants in the present pension funds, it is not known whether the citizens who own Individual Retirement Accounts (IKE) will be able to freely dispose of TFIs and the money collected on these accounts. About the privatization of the accumulated capital in the OPF by transferring these funds to IKE Deputy Prime Minister Morawiecki once again spoke at a press conference organized in November 2016.

As announced by Deputy Minister Morawiecki in November 2016, concrete legislative proposals for the planned pension reform plan were due to appear in the first quarter of 2017. In November 2016, Deputy Minister Morawiecki once again repeated at the press conference that he would like to transfer the funds already deposited in the shares and which are in OPF funds to the citizens, i.e. that they are in fact privatised. At the same time, these funds should be funded in part by the Government's Capital Building Program. Once again the very purpose of the reform of the pension system has been repeated, in general, but nothing was presented in detail. These changes, no matter how they were supposed to be introduces, will be implemented from the beginning of 2018. [IDM: *Transfer from OFE ..., 2016]*.

Conclusions

Summing up, in mid-2016, the Ministry of Development started a series of press

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conferences normally organized in the Warsaw Stock Exchange in order to put forward a government proposal on a plan to reform the capital pillar of the pension system. The key assumptions of this reform during these conferences were presented by Deputy Prime Minister Mateusz Morawiecki, who already performed duties of the Minister of Finance and Minister of Development. Citizens already knew in July 2016 that one of the main assumptions of the planned retirement pension reform was the early transfer of financial resources deposited in Open Pension Funds to pensioners in early 2018 [Morawiecki: Money from OPF ..., 2016]. In this way, the pension reform is to be the first stage of the process, which is called the Polish Capital Building Program.
The main assumptions of the Polish Capital Building Program presented in July 2016 show that the current pension funds will be divided into two parts, which will be transferred to completely different segments of the future reformed pension system. A significant issue is the planned transfer of 1/4 of the raised funds to the Demographic Reserve Fund [A. 396] which belongs to the public social insurance system of ZUS. In this way, the retirement pension system at the ZUS accounting will be "secured" with the financial buffer from the said transfer of 1/4 of OPF funds. Thanks to this financial buffer, ZUS will receive additional funds for which it will be able to revalue the pension benefits paid out in the next few years. In this way, with vigilance of the public consciousness of the Polish society, the remaining part of the pension capital will be nationalized and consumed by the indebted ZUS, thus reducing its debt for several years. This will thus "nationalize" at least 1/4 of the current capital of the OPF funds. The remaining part -75% of OPF funds will be available for Individual Retirement Accounts but there are many uncertainties.

In mid-2016, the Ministry of Development has put forward the main assumptions for the implementation of the reform of the pension system. According to this calendar in 2017, social consultations should be terminated and relevant legislation should be enacted as a legally binding basis for the implementation of the planned reforms. The implementation of these reforms is expected to begin in 2018. At the beginning of 2017, Deputy Minister Morawiecki confirmed that in the second quarter of 2017, the process of refining the final form of the pension reform plan and initiating a legislative process, the final result of which is to write, carry out public consultations and subsequent adoption of relevant statutes will be completed. These laws should be adopted in the final form at the latest by the end of 2017, as they are expected to enter into force as early as 2018. It can therefore be assumed that the possible unfavorable impact of this reform on the Warsaw Stock Exchange should not appear until at least the end of 2017. In addition, if the instruments of the Economy Plus Program and the Plan for Responsible Development were successfully implemented by 2018 and in several successive years, the tendency of an economic growth in Poland would continue. Then the negative aspects of the reform of the capital pillar of the pension system would not have appeared on the Warsaw Stock Exchange [J. Fila, B. Filipiak, 2012, p. 95). In such a situation, this reform would not have led to a significant depreciation of stock price quotations on the WSE market in Warsaw.
In recent months, at the beginning of 2017, after several months of social consultations, it turned out that in these consultations, the social side was mainly represented by financial institutions and entities whose functioning is determined to a significant degree by the situation of capital markets in Poland, including the Warsaw Stock Exchange. The key assumption underlying

these considerations is the recognition of the current thesis that the stock market is a kind of barometer of the state of the economy in real time or a barometer illustrating the future state of macroeconomics, i.e. a picture showing the national economy a few months ahead. Accordingly, if the economic growth in Poland accelerates dramatically in 2017, it should translate into continued improvements in the situation on the Warsaw Stock Exchange.

A clear improvement of this situation on the Warsaw Stock Exchange appeared in November 2016, specifically since the election of the new President Donald Trump in the USA. President Trump has announced a new program of economic reforms and investment growth, also in the US public sector, which has resulted in the continuation of stock market indices on the largest US and global stock exchanges. Donald Trump's economic program is built on the concepts of classical Keynesian state intervention, which aims to generate economic growth in the domestic economy over several years [S. Gwoździewicz, D. Prokopowicz, *The role and application ...*, 2015, p. 53]. Presented at the press conference and during the March 2017 speech in the Senate, Donald Trump's economic program has many of the hallmarks of classical state intervention, which were pursued by Johann Maynard Keynes, who in the 1930s developed a program to accelerate the process of exodus of American economy from a deep economic crisis. Donald Trump's current business program which was repeatedly defined at the press conference and during the meetings with citizens as "America first", suggested a significant change in policy with the activation of economic processes and public sector investment. Investors in the capital markets took the announcement and the first decisions of the new President were positively confirmed by the bull market in November 2016. Since 1989, mainly in the 1990s, the Polish economy has basically undergone a complex process of system transformation, market orientation, privatization processes and stabilization of economic conditions. In subsequent years successively increased the degree of globalization of the Polish economy. After 27 years of rebuilding Poland's market economy structures and Poland's accession to the European Union, the high degree of stabilization and attainment of sustained economic growth and globalization of the Polish economy are now widely accepted. Economic globalization also applies to financial markets, where investment funds and commercial banks are increasingly transnational. Also, since 1991, the Warsaw Stock Exchange has been increasingly involved in these processes. As a result, the economic recovery of the largest global capital markets, including the US and Western Europe, has also reached the Warsaw Stock Exchange. From November 2016 to March 2017, the main indexes of the Warsaw Stock Exchange increased by about 1/3 of their October value. From January 2017, economic growth forecasts for the Polish economy are successfully raised by several domestic and foreign financial institutions, including foreign rating agencies, which a year ago saw a markedly different Polish economy, giving significantly weaker recommondations. For 2017 a significant increase in investment is forecasted by key financial institutions, including NBP [D. Prokopowicz, A. Dmowski, J. Sarnowski, 2008, p. 168] and government agencies, also in the public sector, with a growing share of the use of EU funds.

From the end of 2016 one can notice a return to the high correlation of the economic situation on the Warsaw Stock Exchange with the macroeconomic situation of the Polish economy. In the first quarter

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of 2017, a series of better and better forecasts for the economic climate of Polish economy issued by public and financial institutions, including domestic and foreign banks and rating agencies, appear. At the end of March 2017, some commercial banks in Poland are setting a positive recommendation on the Polish economy, raising economic growth forecasts in the range of 3.5 to 4.0 percent. If these positive trends continue, the unemployment rate in March 2017 fluctuated around 8%, will continue to fall with increasing income, employment, production and investment, then good economic situation in the Warsaw Stock Exchange may continue until perhaps the end of 2017. However, the big question will be what will happen on this issue at the Warsaw Stock Exchange when the announced pension reform plan to convert OPF funds into IKE will be implemented in early 2018. If in 2017 and in the coming years global economic growth will be maintained at a good level with a growing tendency then the prospects for the development of the Polish economy will also be good [S. Bukowski, J. Misala, 2011, p. 49]. As the continuation of the process of gradual improvement of macroeconomic indicators in Poland, including unemployment, consumption, production and investment, exceeded 4%. In 2018, the pace of economic growth and the continuation of the bull market in the global capital markets, there will be strong pressure to maintain good economic conditions on the Warsaw Stock Exchange. At the time of this part of the capital reform, the pillar of the pension system, which will consist in transferring financial capital from OPF funds to Individual Retirement Accounts (IKE), should not involve negative market aspects of the significant depreciation of the stock prices of domestic companies listed in the Warsaw Stock Exchange. This argument remains valid even when the mechanism of transfer of financial capital from OPF funds to Individual Retirement Accounts would require the sale of shares in companies currently held in the funds of OPFs.

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