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The Greek Public Pension System. Who sows, who reaps?
The Greek Public Pension System. Who sows, who reaps?

**Pillar I**
- Main pension
- Secondary pension (auxiliary)
- Lump-Sum benefit*
- Means-tested pension

**Pillar II**
- Few IORPs est.2004 and on

**Pillar III**
- Negligible
THE MILESTONES

1992
The first attempt

2007
The second attempt

2010
The actual Reform

2016
Life after the MTFS

The Greek Public Pension System. Who sows, who reaps?
Stage 1: Immature systems
“Rates of return to pensioners are far higher than rates they could receive for investments in the private market.”

Stage 2: Close to maturity
“…they often qualify for full benefits but have not contributed for their full working lives…. Political pressure from older, influential citizens keeps benefits high and retirement ages low, threatening the long-run stability of the schemes”

Stage 3: Maturity
“Some OECD countries have loosened their eligibility criteria to absorb increasing numbers of unemployed workers…change is resisted by old and middle-aged people who have built up substantial entitlements in the old system…”

Grand lesson:
PAYG are easy to put together but impossible(difficult) to take apart!
The inherent Greek problems

- Excessive number of funds
- Different rules
- Indexation rules
- People’s mentality and lack of SS-related education
  - media
  - politicians
- Illegal migration flows
- Very high contribution rates (almost 45%)
- Legal connection between funds and the Bank of Greece
The evolution up until the debt crisis (1)

The Greek Public Pension System. Who sows, who reaps?
The evolution up until the debt crisis (2)

The Greek Public Pension System. Who sows, who reaps?
The Recommendations
- (a) link the retirement age with increases in life expectancy;
- (b) restrict access to early retirement schemes and other early exit pathways;
- (c) support longer working lives
- (d) equalize the pensionable age between men and women;
- (e) support the development of complementary retirement savings to enhance retirement incomes.

The prerequisites checklist
- Reduce pensions
- Alter indexation rule
The 2010 Reform

- A new pension logic
- Lower accrual rates
- Higher statutory retirement age (65-today 67), adjustable according to life expectancy from the year 2021.
- The full contributory period increases 35 → 40 years.
- Indexation of benefits
- Pensionable earnings
- Long-term viability
### The impact of the 2010 reform - Ageing Working Group results

#### Overall change in public pension expenditure to GDP under the 2009 and 2012 projection exercises

<table>
<thead>
<tr>
<th>Year</th>
<th>Change to GDP (2009-2060)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 (2007-2060)</td>
<td>12.4</td>
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<tr>
<td>2012 (2010-2060)</td>
<td>1.0</td>
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</tbody>
</table>

#### Projected gross pension spending (% of GDP)

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>2010</th>
<th>2020</th>
<th>2040</th>
<th>2060</th>
<th>Change 2010-2060</th>
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</thead>
<tbody>
<tr>
<td>Greece</td>
<td>13.6</td>
<td>13.7</td>
<td>14.9</td>
<td>14.6</td>
<td>1.0</td>
</tr>
<tr>
<td>EU27</td>
<td>11.3</td>
<td>11.3</td>
<td>12.6</td>
<td>12.9</td>
<td>1.5</td>
</tr>
<tr>
<td>Euro Area</td>
<td>12.2</td>
<td>12.3</td>
<td>13.9</td>
<td>14.1</td>
<td>1.0</td>
</tr>
</tbody>
</table>
December 2011
- A substantial revision of the list of heavy and hazardous occupations, reducing the number of workers by 30%.

March 2012
- A vast reform of the auxiliary pension (DB → BNDC)

November 2012
- A reduction in employer’s contributions by 1.1% in the Private Sector, to be reduced by another 4% until 2016
- Statutory retirement age is 67

2012-2013
- Administrative reform
- Lump-sum benefits recalculation
Horizontal Pension Reductions


- Two annual payments of pensions lost
- Monthly Contribution on Auxiliary Pensions
- Monthly contribution on Main pensions
- Reduction of the tax allowance (personal exemption) by 1/4
- Zero indexation until 2014
- Special reductions for pensioners below 60yo, on top of the extra contributions
- A reduction of 40% to the pre 55yos Fund
- Main and Auxiliary pensions cut further by 10, 15, 20%
Has the old-age crisis been averted?

Progress has been impressive
- Administrative reform ✓
- Linking work days to pension ✓
- Fighting contribution evasion ✓
- Catering for the demographic evolution ✓
- Uprooting false notions +++

But we have to understand that…
- Stalling destroys ordinary people’s lives, abrupt change has major impact on it, reparation out of the question

| At-risk-of-poverty rate for pensioners (SILC) (% Total) |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                 | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  |
| EU (27 countries) | 16,6  | 16,2  | 15,5  | 13,9  | 14    | 13    |
| EU (15 countries) | 17,4  | 16,5  | 15,5  | 14,2  | 14,4  | 13,1  |
| Greece          | 21,5  | 20,3  | 18,4  | 19    | 19,9  | 14,3* |
Shifting the risk from the state to the individual, reintroducing the 2nd and 3rd pillars in Greece, while at the same time maintaining the safety net for low earners.

- Life after the Medium-Term Fiscal Strategy – is it going to rain money?
Sources

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Thank you for your attention

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