ACA AND IACA

The Greek Pension Reform Strategy 2010-2015

A leap forward

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THE OUTLOOK OF THE SYSTEM

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 CHALLENGES

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

PENSION REFORMS – RECOMMENDATIONS GIVEN BY THE EC

- 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 ACTUAL REFORM

The 2010 Reform (Pro rata implementation)

- 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 (2060-2009 increase in Public Pension expenditure note more than 2,5%GDP)

MORE REFORMS SINCE 2010 UNDER THE MTFS

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

THIRD BAILOUT PROGRAM (2015)

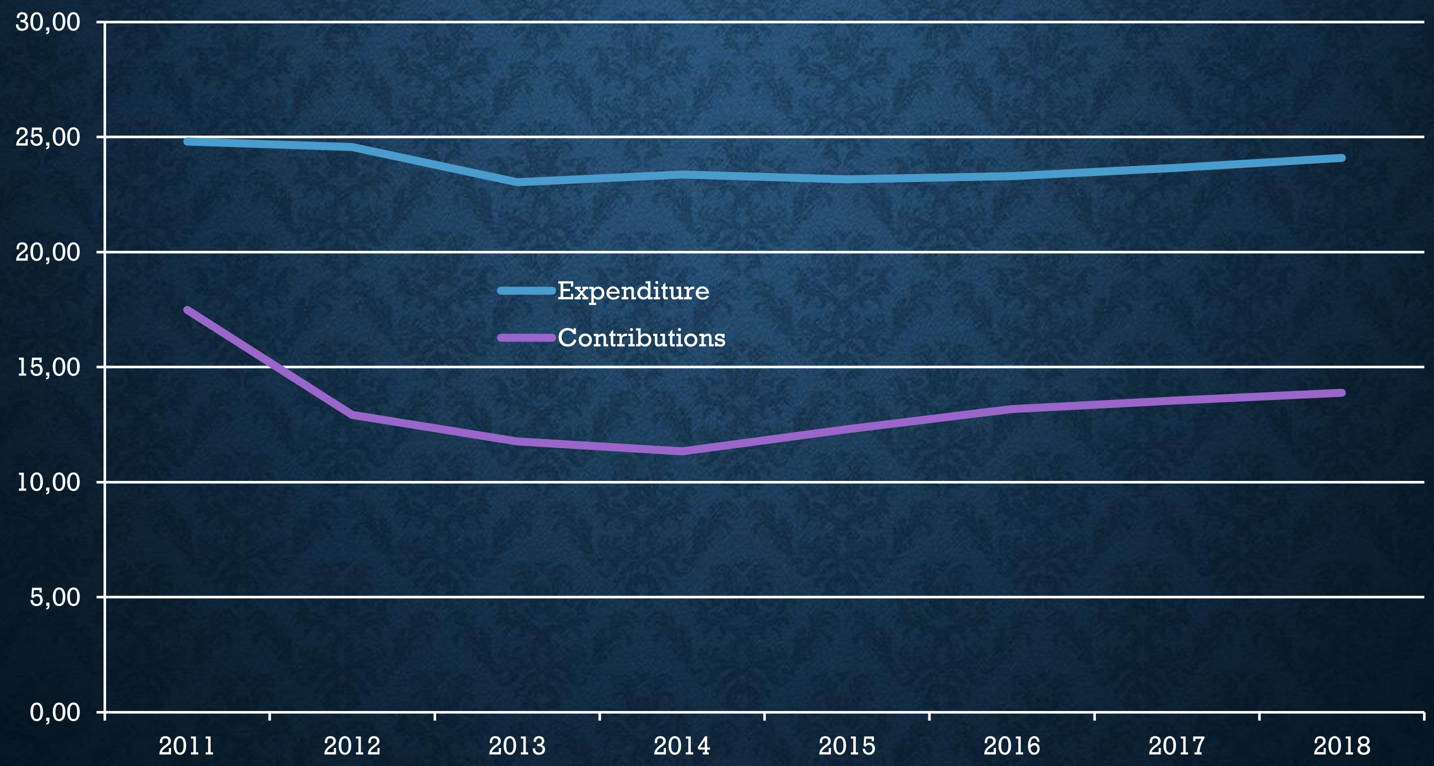
- (Increased) Health contribution across all pension amount
- Implementation of prerequisites of the MoU

HORIZONTAL PENSION REDUCTIONS

May 2010, June 2011 , October 2011, February 2012, November 2012

- Two (seasonal) 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 2015
- 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%

THE EVOLUTION AFTER THE DEBT CRISIS
TOTAL PENSION EXPENDITURE AND CONTRIBUTIONS IN BIL. EUROS UNDER THE MEDIUM - TERM FISCAL STRATEGY 2014-2018



THE IMPACT OF THE REFORMS– AGEING WORKING GROUP RESULTS

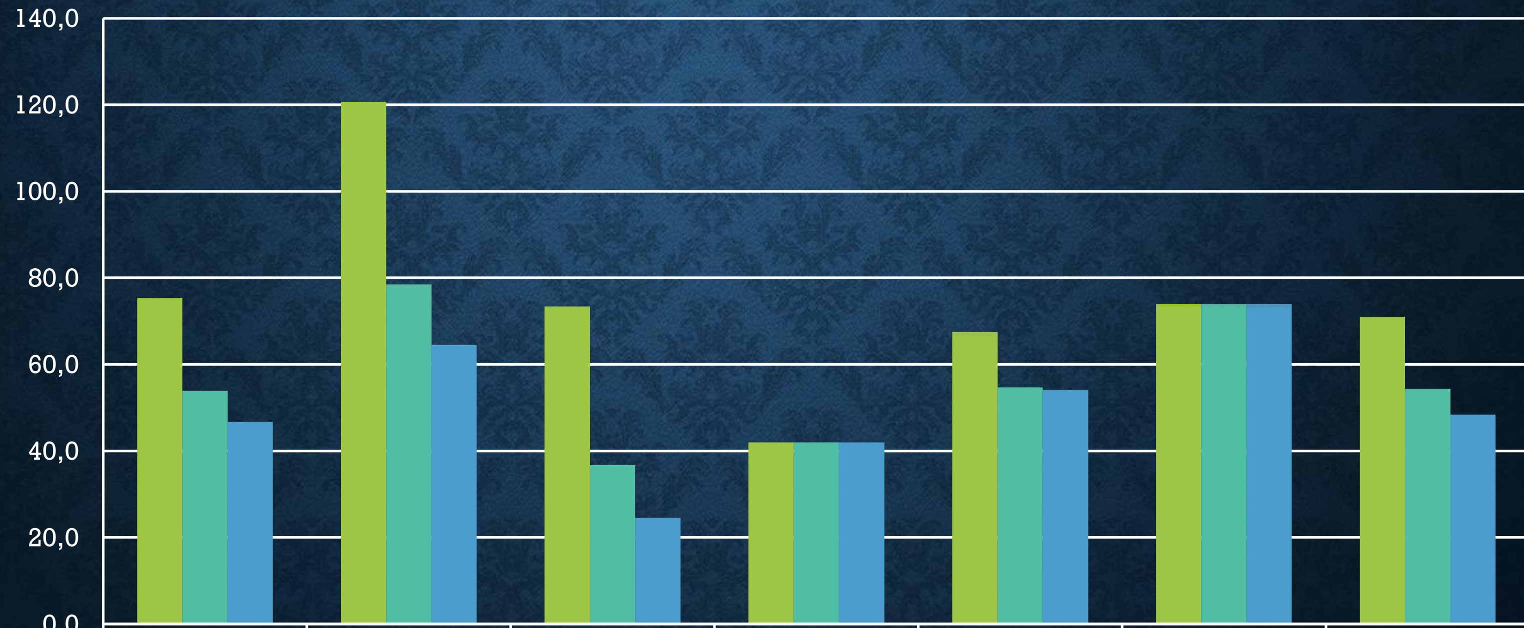
Data collection :2007
Projection results: 2008
Report published: 2009

	Change in Public pension expenditure to GDP
2009 (2007-2060)	12.4
2012 (2010-2060)	1.0
2015 (2013-2060)	-1.9

Expenditure	2013	2020	2040	2060	Change 2013-2060
Greece	16.2	15.5	14.1	14.3	-1.9
EU	11.3	11.2	11.7	11.2	-0.2
Euro Area	12.3	12.4	13.1	12.3	0.0

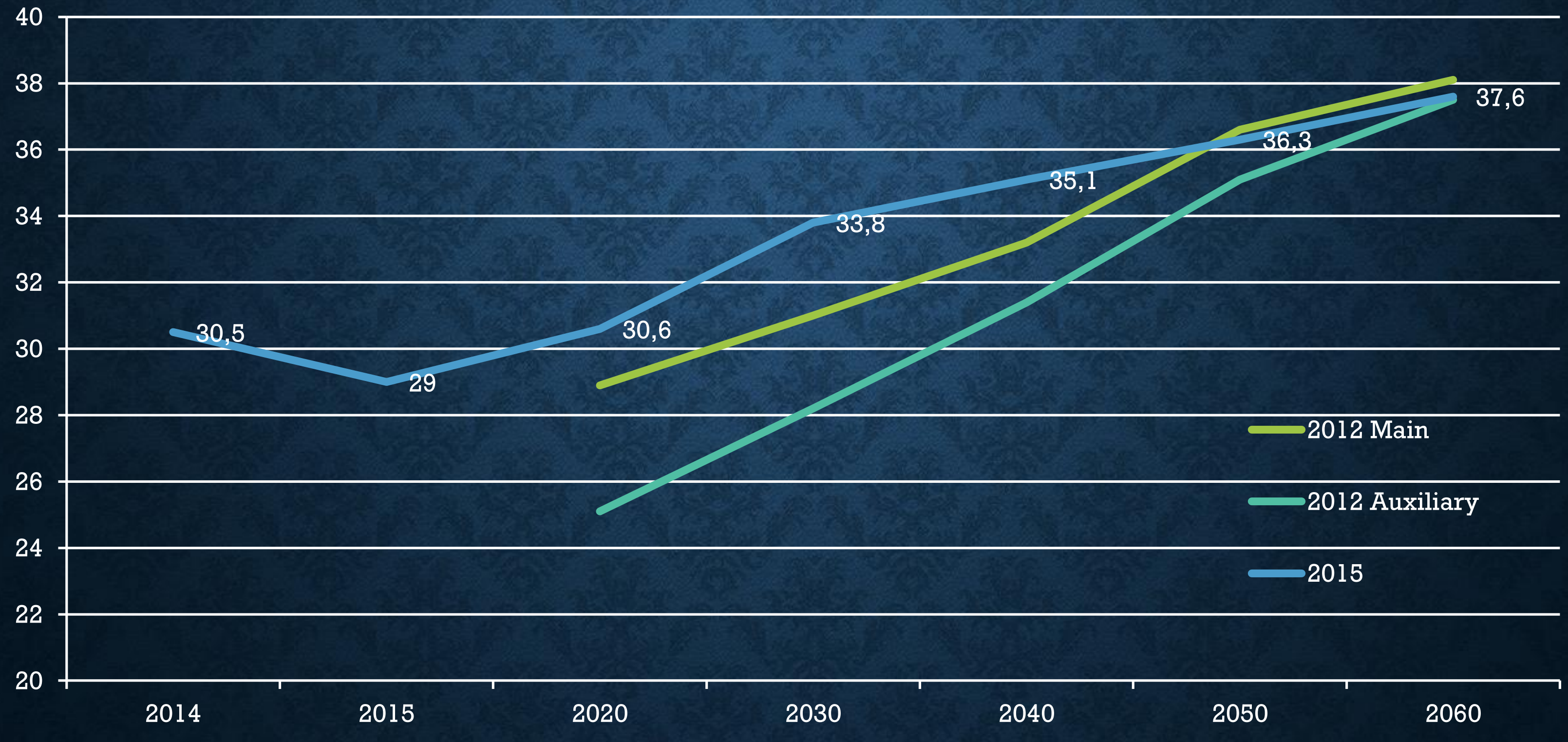
THE IMPACT OF THE REFORMS– OECD REPLACEMENT RATES

Gross pension replacement rates
Low-Average-High earners
2012



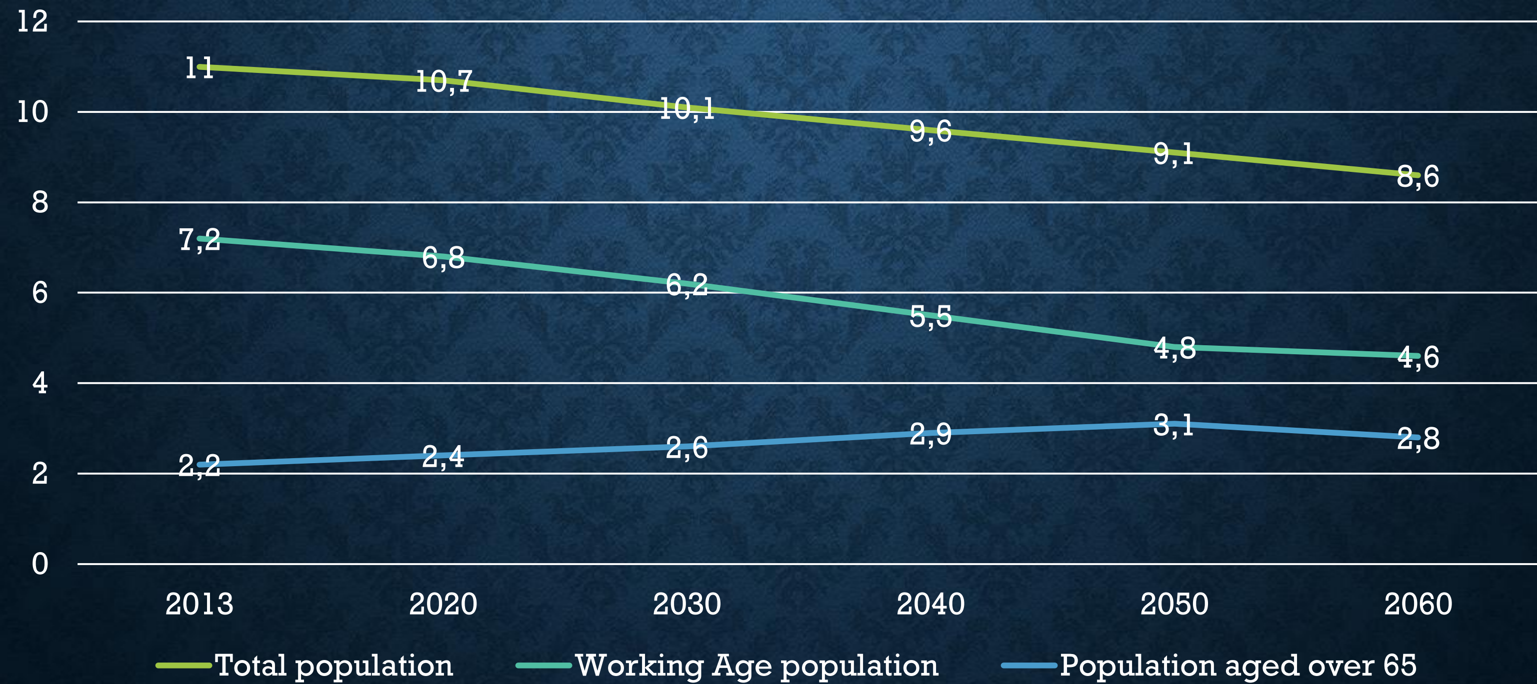
	Greece	Denmark	Ireland	Germany	Portugal	Spain	OECD
Low earners	75,4	120,7	73,4	42,0	67,5	73,9	71,0
Average earners	53,9	78,5	36,7	42,0	54,7	73,9	54,4
High earners	46,7	64,4	24,5	42,0	54,1	73,9	48,4

AVERAGE CONTRIBUTORY PERIODS (IN YEARS) FOR MAIN AND AUXILIARY PENSIONS 2010-2060 AND TOTAL 2013-2060



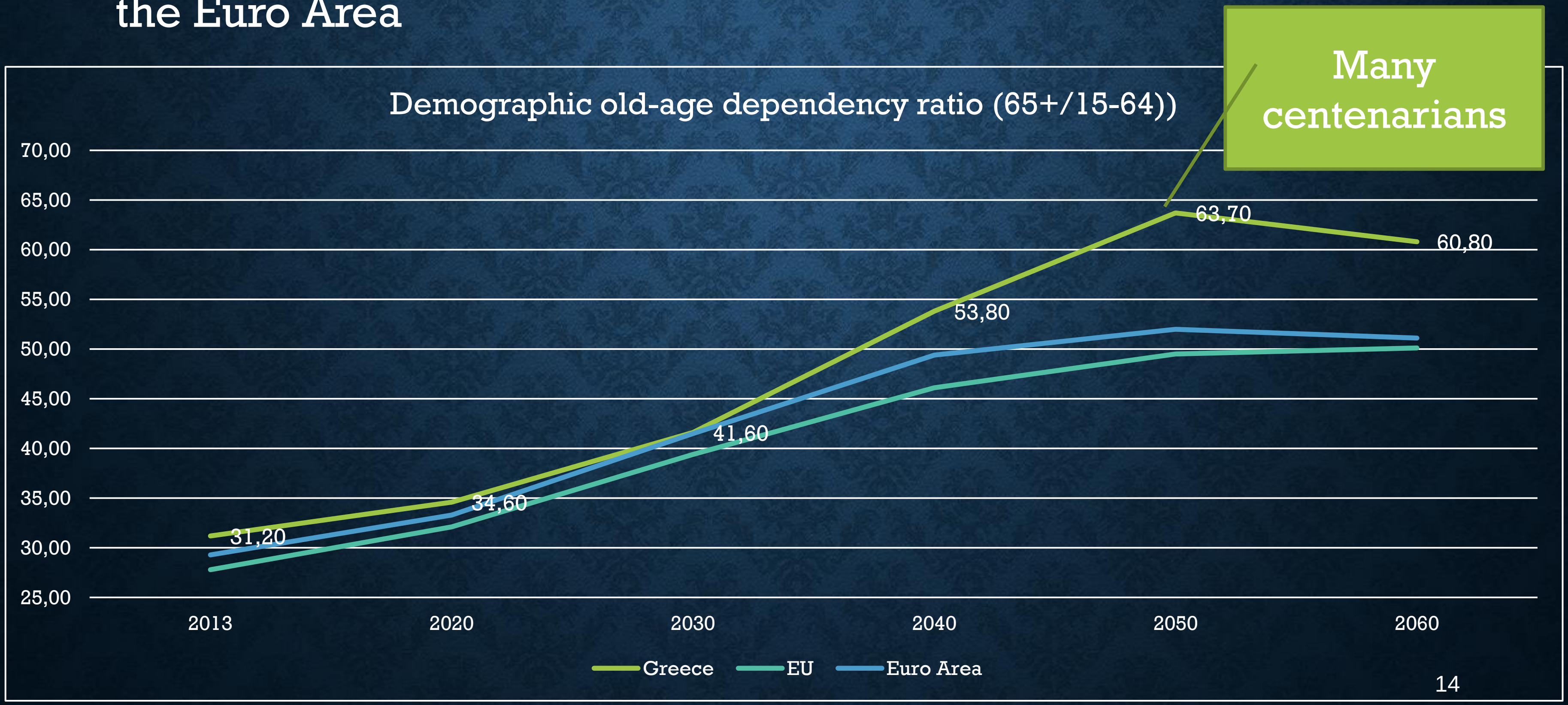
DEMOGRAPHY (1)

- Greek total population, working age population and population over 65 years old (in millions)



DEMOGRAPHY (2)

- Demographic old-age dependency ratios for Greece, EU and the Euro Area



HAS THE 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…

IMPLICATIONS (1)

- 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	2013
EU (27 countries)	16,6	16,2	15,5	13,9	14	13,2	12,6
EU (15-19 countries)	17,4	16,5	15,5	14,2	14,5	13,4	12,7
Greece	21,5	20,3	18,4	19	19,9	14,3	12,4

2014: 11,5

IMPLICATIONS (2)

OLD-AGE POVERTY ANALYZED

Year		2011	2012	2013
ARP Threshold		6591	5708	5023
ARP rate for pensioners		19.9	14.3	12.4
Median equivalised income people 60 years old or over		9640	9656	8600
Median equivalised income people less than 60 years old		11436	9400	8100

WHAT IS HAPPENING RIGHT NOW?

The government is trying to forge political consensus in order to promote reforms including:

- Lower replacement rates
- Complete unification of the funds in one pension scheme
- Pension reductions according to actual contributions paid to the system, for existing and future pensioners
- One "national pension" payable to most of the insured and long-term unemployed
- Restructuring of social protection (minimum guaranteed income – pilot scheme)

THE NEXT DAY

Progress has been impressive…as mentioned before:

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

- 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?
- A great leap forward, a long way to go…

SOURCES (1)

References

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Thank you for your attention

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