

# GREECE



## DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	228.9
GDP per capita (USD)	28 048.9
Population (000s)	11 149.0
Labour force (000s)	4 917.9
Employment rate	91.9
Population over 65 (%)	18.5
Dependency ratio <sup>1</sup>	42.4

Data from 2007 or latest available year.

1. Ratio of over 65-year-olds the labour force.

Source: OECD, various sources.

## COUNTRY PENSION DESIGN

### STRUCTURE OF THE PENSION SYSTEM

#### Public pensions

- Earnings-related public scheme with two components plus a series of minimum pensions and social safety nets. System applies to labour-market entrants from 1993.

#### Private pensions: occupational (voluntary)

- Occupational insurance funds
- Occupational pension plans

#### Private pensions: personal (voluntary)

- Simple personal pension plan
- Personal pension plan with profit sharing
- Personal pension plan with investment returns (unit-linked)

Source: OECD Global Pension Statistic.

## PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007
<b>Assets</b>							
Total investments (National currency millions)	ND	ND	ND	ND	ND	ND	24.60
Total investments, as a % of GDP	ND	ND	ND	ND	ND	ND	0.01
Of which Assets overseas, as a % of Total investment:							
• Issued by entities located abroad	ND	ND	ND	ND	ND	ND	ND
• Issued in foreign currencies	ND	ND	ND	ND	ND	ND	ND
<b>By financing vehicle (as a % of Total investments)</b>							
• Pension funds	ND	ND	ND	ND	ND	ND	100.00
• Book reserves	NA	NA	NA	NA	NA	NA	NA
• Pension insurance contracts	ND	ND	ND	ND	ND	ND	ND
• Other financing vehicle	NA	NA	NA	NA	NA	NA	NA
<b>By pension plan type</b>							
• Occupational assets	ND	ND	ND	ND	ND	ND	24.60
• % of DB assets	ND	ND	ND	ND	ND	ND	0.00
• % of DC (protected and unprotected) assets	ND	ND	ND	ND	ND	ND	100.00
• Personal assets	ND	ND	ND	ND	ND	ND	0.00
<b>Structure of Assets (as a % of Total investments)</b>							
Cash and Deposits	ND	ND	ND	ND	ND	ND	51.92
Fixed Income	ND	ND	ND	ND	ND	ND	37.22
Of which:							
• Bills and Bonds issued by the public and private sector	ND	ND	ND	ND	ND	ND	37.22
• Loans	ND	ND	ND	ND	ND	ND	0.00
Shares	ND	ND	ND	ND	ND	ND	5.44
Land and Buildings	ND	ND	ND	ND	ND	ND	0.00
Other Investments	ND	ND	ND	ND	ND	ND	5.41
<b>Contributions and Benefits</b>							
Total Contributions, as a % of GDP	ND	ND	ND	ND	ND	ND	0.00
• Employer Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	51.04
• Employee Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	48.95
Total Benefits, as a % of GDP	ND	ND	ND	ND	ND	ND	0.00
• % of benefits paid as a Lump sum	ND	ND	ND	ND	ND	ND	100.00
• % of benefits paid as a Pension	ND	ND	ND	ND	ND	ND	0.00
<b>Membership (in thousands of persons)<sup>1</sup></b>							
Total membership	ND	ND	ND	ND	ND	ND	11.79
• % of Active membership	ND	ND	ND	ND	ND	ND	ND
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	ND	ND	ND	ND	ND	ND	ND
Other beneficiaries	ND	ND	ND	ND	ND	ND	ND
<b>Number of Pension Funds/Plans</b>							
Total number of funds	ND	ND	ND	ND	ND	ND	3
Total number of plans	ND	ND	ND	ND	ND	ND	ND

Note: Data refer only to Greek occupational insurance funds.

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

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## GREECE: THE PENSION SYSTEM'S KEY CHARACTERISTICS

### PUBLIC PENSION

This social insurance system covers employees in industry, commerce, and certain urban self-employed persons (i.e. actors, newspaper vendors and chartered accountants). The contribution rate is 6.67% of earnings for employee (but increased to 8.87% if the employee is in arduous or unhealthy occupation), 13.33% for employer (but increased to 14.73% if the employee is in arduous or unhealthy occupation), and 10% for the government. There is no minimum earning limit for the contribution purposes, while there is maximum earning limit which is EUR 68,337.92 a year, or 14 monthly salaries of EUR 4,881.28 for those persons who were first insured after December 31, 1992.

In order to be eligible to pension benefits certain criteria (mainly relating to retirement age and contribution history) should be met. Such criteria are age 65 (men) or age 60 (women) with 4,500 days of contributions; age 62 (men) or age 57 (women) with 10,000 days of contributions; age 58 (men and women) with 10,500 days of contributions. The full pension is also payable at any age to the insured with at least 11,100 days of contributions and at the pensionable age to the insured with specified disabilities and at least 4,050 days of contributions. When it comes to the arduous or unhealthy employment, the age requirement is reduced.

Early retirement is possible, but only for those insured before 1 January 1993 and with pension benefit reduced accordingly, i.e. reduced by 1/267 for each month of early retirement.

The basic pension is based on the length of the insurance period and pensionable earnings in the last 5 years or (if first insured after December 31, 1992) the best 5 years in the last 10 years, whichever is greater. The basic pension is increased according to the insured's classification in one of 28 wage classes. The increase is calculated as 1% of earnings for every 300 days of contributions between 3,300 days and 7,800 days and as 1.5% to 2.5% (depending on wage class) for every 300 days beyond 7,800 days. (For persons who started working after 1993, the pension is calculated as 2% of adjusted average earnings during the last 5 years). The minimum pension for a single person is Euro 428.24 per month, while the maximum pension is Euro 3,239.

The Social Insurance Institute (IKA), as the largest Social Security Organisation in Greece, covers 5,530,000 workers and employees and provides 830,000 pensioners with retirement pension.

For self-employees, they join a separate scheme, always referred to as OAEE. Pension contributions are 20% of assessed earnings. Such assessed earnings are not the actual earnings, but adjusted notional income classes according to the year of experience. Pension rights are closely linked to both the notional income classes and contributions.

In addition, employers in Greece also provide supplementary pension schemes, which are typically contributed by 3% of wages from both employer and employee each; the corresponding replacement rate is around 20%.

Pension contributions and investments are not taxed, while the pension benefit is taxed.

The OECD estimated gross replacement rate for average worker in 2007 was 95.7%, while the net replacement rate was 110.1%, the highest in the OECD, though it should be noted that not all individuals work the full career length used in the assumptions.

In 1996 a non-contributory means-tested system (i.e. EKAS) was introduced, targeting low-income pensioners. Eligibility requires that total net income from all sources is less than € 6,562 (in 2004), total taxable income must not exceed € 7,656 and the total taxable family income less than € 11,913. The number of beneficiaries covered by this scheme in 2006 was 347,000.

## **OCCUPATIONAL VOLUNTARY**

### Coverage

Occupational insurance funds are established on a voluntary basis in companies or sectors of employment, on the initiative either of employees or employers, or by a collective agreement. The self-employed, professionals, farmers, and their trade or professional associations may also institute funds on the condition that their insured members number over 100.

As mentioned above, occupational and personal pensions are not currently widespread in Greece.

### Contributions

Voluntary occupational pensions are defined contribution in nature.

### Taxation

The founding statutes of occupational insurance funds provide that the totality of contributions paid in by members is exempt from income tax, while contributions from the employer are deductible from gross revenue. Pension investments are not taxed, while pension benefits are.

## **MARKET INFORMATION**

### Occupational voluntary

In 2007 three occupational insurance funds had been established in Greece. Their combined total assets at the end of 2007 were EUR 24 602 (USD 33 702), while membership stood at 11 789.

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## **REFERENCE INFORMATION**

### **KEY LEGISLATION**

Ministerial Decision F.epag.asf./oik.16/09.04.2003 (FEK 462 B/17.04.2003) on the operating conditions of occupational insurance funds.

Ministerial Decision F.epag.asf./43/13.11.2003 (FEK 1703 B/19.11.2003) on successive insurance in occupational insurance funds.

Ministerial Decision F.51010/1821/16/16.02.2004 (FEK 370 B/24.02.2004) on administrative sanctions.

Law 3385/2005, article 12 (FEK 210 A/19.08.2005).

Law 3029/2002, articles 7 and 8 (FEK 160 A/11.07.2002), which introduced occupational insurance (second pillar) in Greece.

Law 3029/2002, article 7, paragraph 17, which sets out the tax incentives and exemptions applied in occupational insurance funds.

#### **KEY REGULATORY AND SUPERVISORY AUTHORITIES**

Ministry of Employment and Social Security: the main pension regulator and supervisor;

<http://ggka.citron.gr/frontoffice/portal.asp?cpage=NODE&cnode=1&clang=1>.

Ministry of Economy and Finance: in charge of regulation related to tax treatment of occupational insurance funds;

<http://www.mof-glk.gr/en/home.htm>.

#### **KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS**

Ministry of Employment and Social Protection.

OECD, Global Pension Statistics project, [www.oecd.org/daf/pensions/gps](http://www.oecd.org/daf/pensions/gps).







