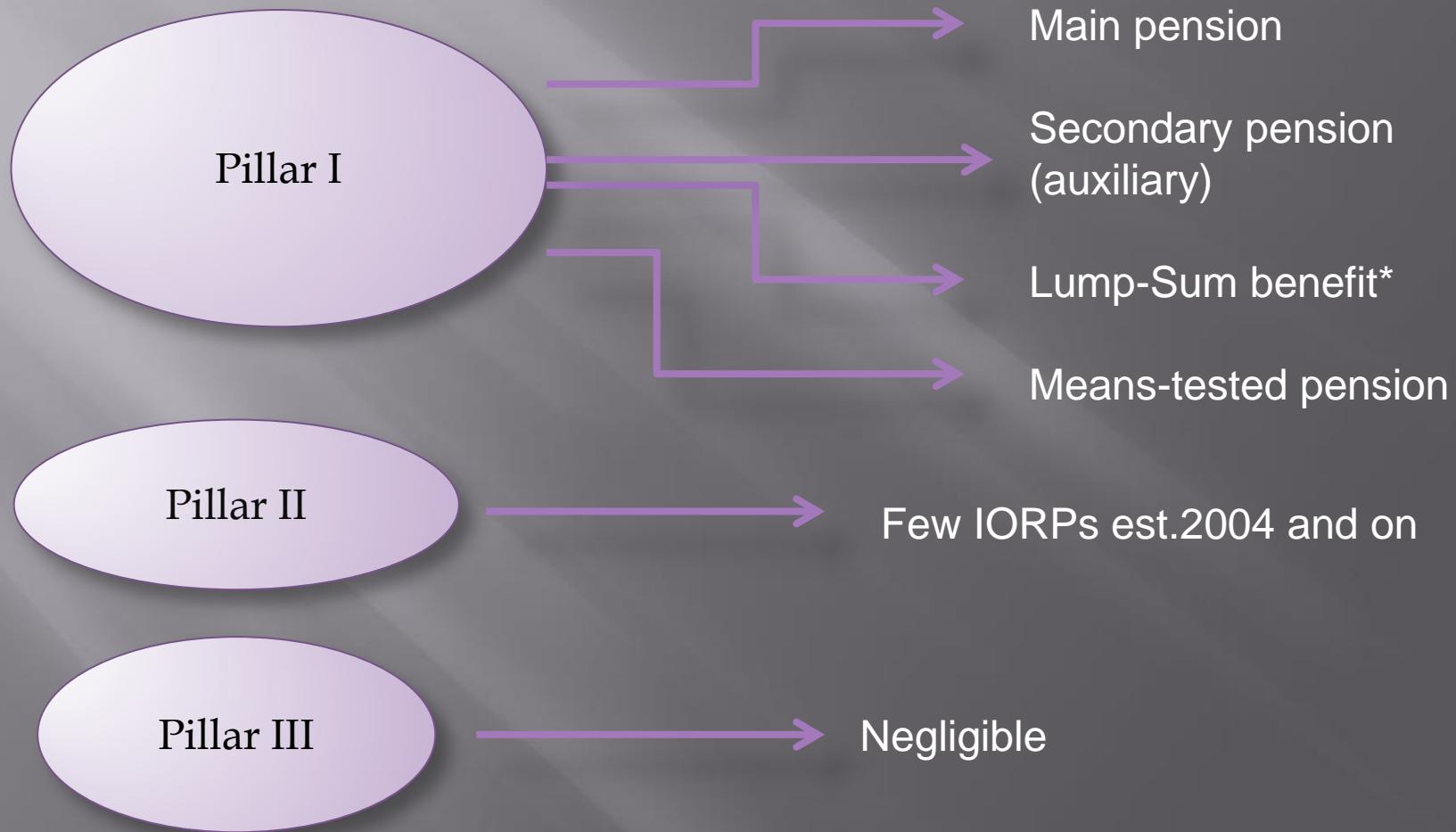


WORLD BANK
6TH GLOBAL PENSION AND
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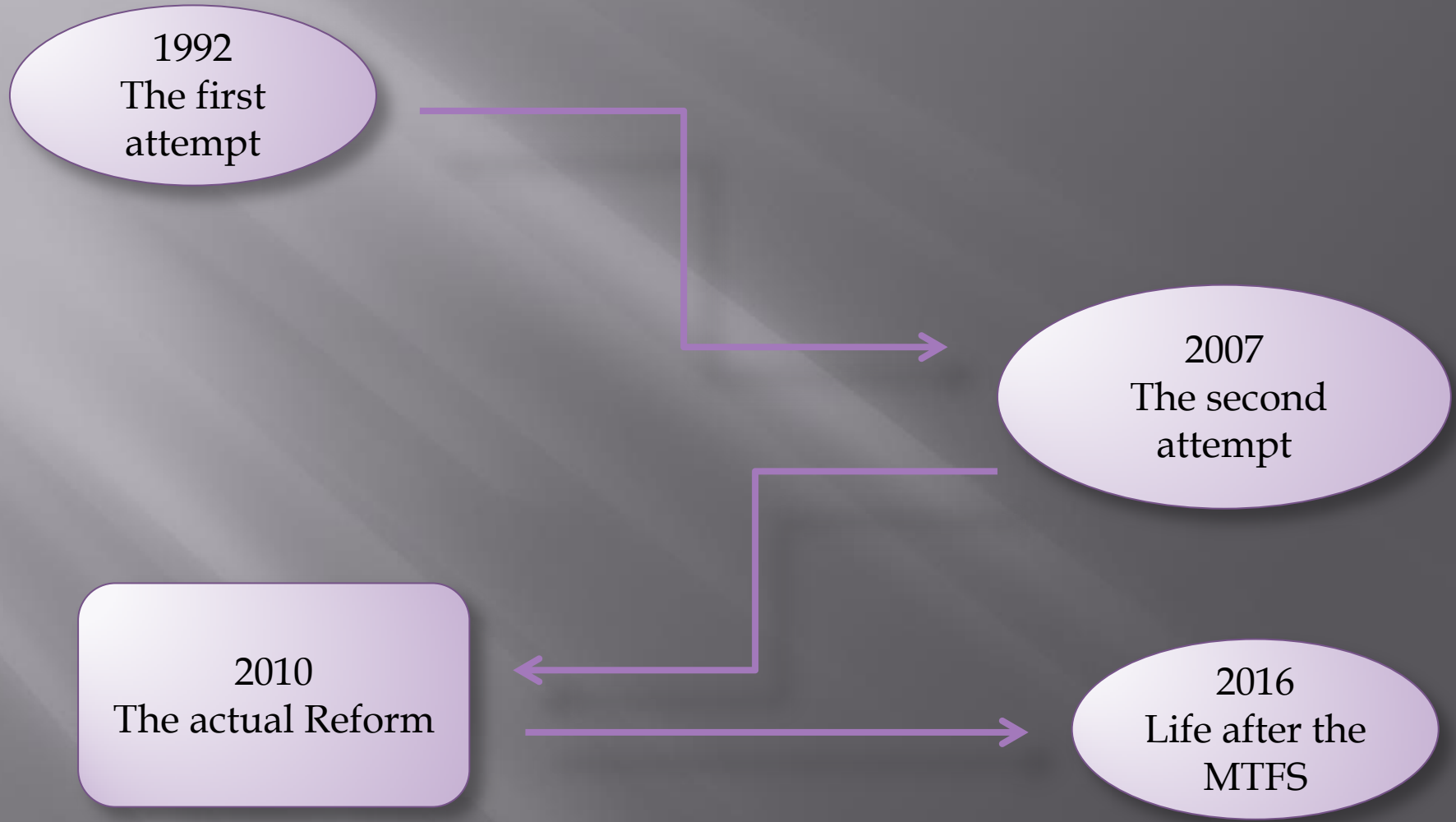
George Symeonidis, Hellenic Actuarial Authority

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

THE OUTLOOK OF THE SYSTEM



THE MILESTONES



LIFE-CYCLE THE BEST OF ALL STAGES

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 challenges

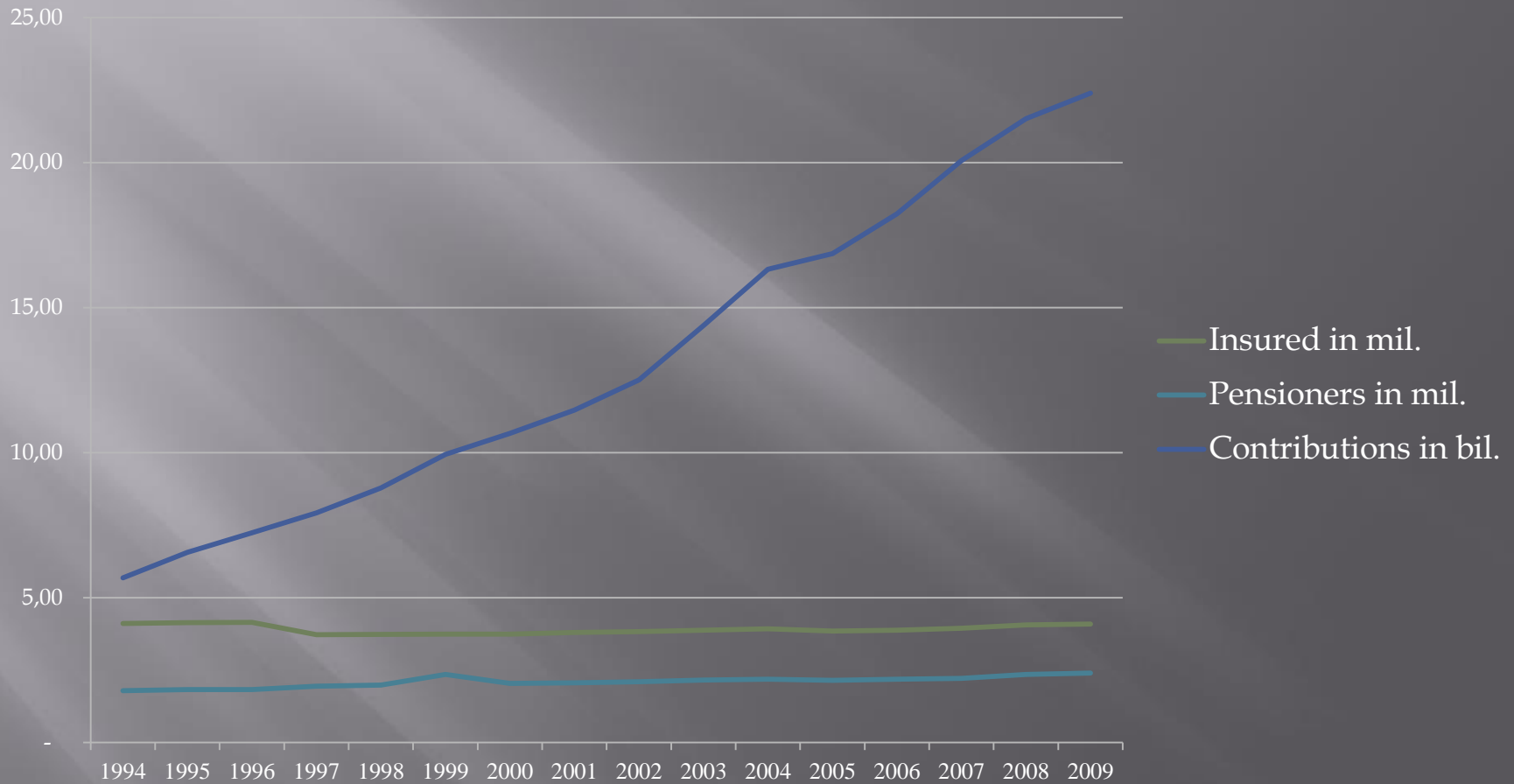
The inherent Greek problems

- ▣ 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

The evolution up until the debt crisis (1)



The evolution up until the debt crisis (2)



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

- ▣ 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
2009 (2007-2060)	12.4
2012 (2010-2060)	1.0

Projected gross pension spending (% of GDP)					
Expenditure	2010	2020	2040	2060	Change 2010-2060
Greece	13.6	13.7	14.9	14.6	1.0
EU27	11.3	11.3	12.6	12.9	1.5
Euro Area	12.2	12.3	13.9	14.1	1.0

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

Horizontal Pension Reductions

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

- ▣ 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*

The next day

- 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

Ageing Report 2012, 2009

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Thank you for your attention

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