Chapter Two: The Greek Public Pension System 2010-2012

Chapter two describes the core elements and main provisions of the reformed Greek public pension system that were introduced after the eruption of the national financial crisis. It begins with an overview of the Greek public pension system (A). Next, the Greek public pension system is presented, as it was reformed after the financial and economic crisis within the period 2010-2012 affecting the prospective pensioners (B). Then, the progressive reductions in the old-age pension benefit payments introduced in the period 2010-2012 and affected the current pensioners are in details presented (C). Lastly, a summary of the reforms is presented in the last section (D).

Structuring chapter two in this way will illustrate that the Greek public pension system was reformed in the name of the crisis, but the current reforms are not as temporary as the phenomenon of a financial and economic crisis. It will show that the way in which the Greek public pension system was reformed in times of financial crisis and financial external interdependence was result of deeper changes, such as to confront with the demographic ageing and the jeopardy of the sustainability of the public pension system. For instance, the measures of increasing the retirement age or linking the retirement age with the life expectancy ratio will remain in force, even in the aftermath of the financial crisis and the end of the economic adjustment programmes for Greece. Also the measure of reducing the old-age pension benefits of the current pensioners, which appears to be a direct result of the financial crisis, seems to be permanent, in the sense that the level of pension payment may not return to the level they had before the crisis.This is because the Greek economic and financial crisis acted as the main driving force for in-depth reforms in order to face pre-existing problems.

A. Overview of the Greek Public Pension System

The public pension system is part of the social insurance system of Greece. The Greek social insurance system provides care in cases of i.e. sickness, medical care, maternity, old-age, and alongside with the health care and the social assistance system, they constitute the social security system of Greece.[214] The pension system in Greece operates under public law and is enshrined in the Greek Constitution (Art. 22(5)). Its fundamental principles are that it is public, universal and compulsory.

The Greek public pension system aims to provide care in cases of old-age. The main old-age pension benefits are provided only through public pension funds, while the supplementary pension benefits are provided through public as well as private pension funds. The main objective of the public pension system in Greece is to ensure that the elderly are not exposed to the risk of poverty and provide decent pensions that ensure satisfactory living standards after retirement.[215] This is highlighted by the compulsory provision of a minimum pension income and the various supplementary pension schemes,[216] as well as by the almost universal coverage. Another defining feature of the Greek public pension system is the principle of equivalence. Namely, the granted pension benefits should guarantee that the pensioners may enjoy satisfying living conditions similar to the living conditions they were enjoying prior to retirement.[217] This derives from the fact that the pension payments are provided based on the years of contributions as well as the earnings of the pensioners' professional career.

The financing of the public pension system is based on a redistribution principle; namely the PAYG.[218] The PAYG is based on the Bismarck approach and establishes a bilateral relationship between the currently employed populace and the pensioners to whom the earmarked revenues are distributed as cash benefits.

The pension legislation is regulated through statutory acts and cannot be regulated under the terms of collective agreements. The procedure for the adoption of legislation is as follows: the executive power, namely the government and the competent ministries make a proposal to the plenum of the parliament.[219] After discussions in the parliament and consultation

214 *Kremalis,* Social Security Law in Greece, p. 21; *Korda*, The Role of International Social Security Standards: An In-Depth Study through the Case of Greece, p. 147.
215 *Hellenic Republic*(2005), p. 10.
216 *Kremalis*, Social Security Law in Greece, p.20.
217 Council of State (Plenary Session), Judgment of 10 June 2015, Nos. 2287-2290/2015.
218 *Hellenic Republic*(2005), p. 5.
219 *Hellenic Republic*(2002), p. 12.

with the Court of Audit, the parliament adopts the pension bill.[220] In certain cases, the legislature may provide certain legislative powers to the government or to administrative bodies to simplify the complexity of the procedures, by allowing the delegation of certain rule-making functions. This delegation may take the shape of a presidential or ministerial decree or a decision by the social insurance administration.[221]

I. Horizontal Dimension – Personal Scope of Coverage

The origins of the Greek social welfare protection can be traced back to the 19th century, although only a limited range of professions was covered.[222] The social security fund for civil servants was established in 1852 (for military officials) and in 1861, it was expanded to all civil servants. It was regulated by the Code of Civil and Military Pensions.[223] The majority of the social insurance funds of the self-employed were established in 1934, while private employees were covered in 1935 by a single compulsory social insurance scheme (IKA-ETAM).[224] After the Second World War, the general trend towards the promotion of social solidarity and the extension of coverage influenced Greek legislatures to adopt the emergency Law No. 1846 of 1951 concerning the social insurance system:[225] The function of the Greek pension system enacted in the 1950s was to address the needs of the elderly through cash benefits and services.[226] Moreover,

220 The Court of Audit is one of the three supreme courts in Greece. The other two supreme courts are the Council of State and the Supreme Civil and Criminal Court (Aeropagus). According to Article 98 of the Greek Constitution, the Court of Audit has jurisdiction on the audit of the expenditures of the State, municipalities and other legal public entities. Furthermore, the Court of Audit provides advisory opinions concerning bills on pensions or on the recognition of service for granting the right to a pension.

221 *Hellenic Republic*(2002), p. 12.

222 *Ibid,* p. 8.

223 Code of Civil and Military Pensions No. 169 of 2007, Official Gazette of the Hellenic Republic 210/A/31.08.2007.

224 *Hellenic Republic*(2002), p. 8.

225 Emergency Law No. 1846 of 1951, Official Gazette of the Hellenic Republic 179/A/21.06.1951.

226 *Hellenic Republic*(2002), p. 5.

supplementary insurance funds were further extended in order to cover the supplementary benefits provided for by the primary insurance funds.[227]

While, under the previous pension legislation, the national pension system in Greece was highly fragmented,[228] in the new pension legislation, the various pension funds are merged under four major headings and are classified by employment category: a. IKA-ETAM, which is the social insurance fund for employees in the private sector and new entrants into the public sector, b. OAEE, which is the social insurance fund for the self-employed, c. OGA, which is the farmer's social insurance fund and d. ETAA, which is the social insurance fund of lawyers, doctors and engineers.[229]

The above-mentioned pension funds are independent public legal entities governed by public law.[230] They are self-governing bodies under the control of the relevant ministry concerning employment and social protection. Their managing bodies take decisions at the administrative level by a collective administrative board that is mainly composed of representatives from the state, employers, employees and pensioners, as well as experts in insurance matters and the Government Commissioner.[231]

IKA-ETAM was originally regulated by Law No. 1846 of 1951, as amended. It is a general compulsory insurance fund for private employees and civil servants appointed after the 1st of January 2011. It covers also individuals who are not registered with any other primary social insurance fund and are employed for a limited period, as well as persons employed on a temporary and part-time basis. It consists of three main branches: a. a compulsory pension branch (old-age, invalidity, and survivors' pensions); b. a supplementary pension branch to which all IKA-insured persons are compulsorily insured; and. c. a sickness insurance branch. OAEE covers the self-employed, apart from the professions covered by ETAA. It was set up in 1999 and it provides old-age, invalidity and survivor's pensions as

227 *Korda*, The Role of International Social Security Standards: An In-Depth Study through the Case of Greece, p. 153.

228 Up to the year of 2008, the number of social insurance funds were approximately one hundred thirty. In 2008, the Law No. 3655 of 2008 reduced the various funds to thirteen. See also *Petmesidou*, ASISP 2013, p. 4.

229 However, some other funds, such as the pension fund for journalists and the fund for the employees of the Bank of Greece maintained their independency so far as they finance the basic pension of their pensioners. See *Petmesidou,* ASISP 2012, p. 6.

230 *Kremalis*, in: *Kerameus / Kozyris* (eds.), Introduction to Greek Law, p. 230.

231 *Hellenic Republic*(2005), p. 5-6.

well as sickness benefits in kind and cash payments.[232] OGA is a compulsory public fund for farmers as well as for self-employed individuals working in villages of less than 2,000 inhabitants. Furthermore, priests, nuns and all employees living in communities less than 5,000 inhabitants are also covered by OGA, as long as they are not insured by any other social insurance fund. OGA was established in 1961 and provides cover for events of sickness, death, maternity, invalidity as well as general care for the elderly.[233] This scheme was funded by the public tax revenue until 1998. After 1998 its financing was based on a bi-partite basis (farmers and the state) and provides coverage in cases of sickness, maternity, old-age, invalidity and death, while it also administers the social assistance scheme to uninsured individual.[234]. ETAA was founded in 2008 and unified the social insurance funds of lawyers, engineers and medical doctors.[235]

II. Vertical Dimension – Form and Function

Classifying the vertical dimension of pension systems is not an easy task. Not all countries classify their pension systems in the same way, nor do the different tiers or pillars involved have the same meaning and function in all national pension systems.[236] There are two main typologies. The most traditional and common typology divides pension schemes into the following three pillars: a. the mandatory earnings-based pension (either defined-benefit or defined-contribution), b. the occupational pension (voluntary or mandatory) and c. the private voluntary pension. The second typology equally classifies the pension system into three pillars, but in a dif-

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232 Law No. 2676 of 1999, Official Gazette of the Hellenic Republic 1/A/ 05.01.1999. For more information see *Samothrakis*, in: *Bedee* (eds.) The International Guide to Social Security: A Country by Country Overview, p.183.

233 Law No. 4169 of 1961, Official Gazette of the Hellenic Republic 81/A/ 18.05.1961.

234 Law No. 2458 of 1997, Official Gazette of the Hellenic Republic 15/A/ 14.02.1997. For more information about OGA see *Korda*, The Role of International Social Security Standards: An In-Depth Study through the Case of Greece, p. 161.

235 Law No. 3655 of 2008.

236 *Devetzi,* in: *DRV-Schriften* (ed.), Rentenversicherung im internationalen Vergleich, p. 419; the complexity of the diverse social security systems is extensively analysed by *Zacher,* in: *Zacher* (ed.), Alterssicherung im Rechtsvergleich, pp. 31-58.

ferent manner: a. the first pillar consists of a basic/minimum pension, b. the second pillar concerns an earnings-based mandatory pension or obligatory occupational pension and c. the third pillar concerns a voluntary occupational or private pension.[237] The difference between the above two typologies depends on whether the safety net for the elderly is classified as a minimum pension (*Mindestrentenregelungen*) or as a benefit of social assistance (*Mindestsicherungsregelungen*).[238] In the first typology, a safety net for the elderly of minimum assistance falls outside the scope of the pension system and is classified as a social assistance benefit. In the second typology, the minimum pension, either means-tested or universal, falls inside the scope of the pension system and is regarded as a social insurance benefit. For instance, in Germany, the pension system would be classified as falling under the first variant. This is because it provides a social assistance benefit, which is not part of the pension system. In more liberal welfare states, like the United Kingdom (hereinafter: UK) and Australia, the classification of their pension systems falls under the second variant. In liberal welfare states, the basic/minimum pension plays an important role in providing financial assistance to the elderly. Their system is based upon a social assistance approach, the Beveridge approach, which does not focus on an earnings-based system but on poverty alleviation, through flat-rate pensions financed by the public tax revenue.[239]

In regards to the Greek public pension system, despite the fact that Greece is not classified as a liberal welfare state, but rather as being among the southern European welfare states,[240] its reformed structure would be classified as falling under the second typology, after the changes implemented after the financial crisis. Prior to the financial crisis, the Greek public pension system was divided into a public, obligatory pillar that consisted of an earnings-related primary pension and an earnings-related supplementary pension and into a private pillar which consisted of a voluntary occupational and private pension. In addition, social assistance

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237 *Barr / Diamond*, Oxford Review of Economic Policy 2006, pp. 17-19; *Whiteford / Whitehouse*, Oxford Review of Economic Policy 2006, pp. 84-88.

238 *Hauser*, in: *Eisen / Hardes / Hauser et al.* (eds.), Alternative Konzeptionen der sozialen Sicherung, p.176-177.

239 *Hinrichs,* in: *Petersen / Petersen* (eds.), The Politics of Age: Basic Pension Systems in a Comparative and Historical Perspective, p. 121.

240 For more information about the southern European social model see *Karamessini,* International Labour Review 2008, pp. 43-70; *Ferrera,* JESP 1996, pp. 17-37.

scheme was not well-developed, due to the absence of a general social welfare scheme, covering all persons in need without sufficient means.[241]

After the financial crisis, this structure has been altered and re-modelled based upon a social assistance approach, removing characteristics of the Bismarckian earnings-related system.[242] The vertical dimension of the Greek public pension system took after the crisis the following form: the first pillar consists of a means-tested, non-contributory minimum pension (so-called basic pension); the second pillar consists of a mandatory, contributory pension (so-called proportional pension); and, the third pillar consists of a voluntary occupational and private pension.[243] The occupational and private schemes have been classified in the same pillar, rather than in two separate ones, since they cover only a small percentage of the retirees and therefore, a separate classification is not necessary. I considered the basic pension as a stand-alone pillar, on the grounds that the basic pension is regulated within the framework of the social insurance system, seeing as it is associated with the pensionable service. However, the basic-pension has been classified by other scholars as falling under the social assistance scheme, on the grounds that it involves a minimum pension and its function correlates to a more general protective shield.[244]

Concerning the issue of which pillar the supplementary pension belongs to is still a disputed matter. It could be regarded as an occupational pension and thus belongs in the third tier. This is because it functions as a supplement to the proportional pension, designed to provide pensioners with a standard of living on the same level as was obtainable during their working lives, and also because it is financed by the employer as well as employee contributions. The state neither finances it nor does it guarantee its existence. However, the Council of State ruled that the supplementary pension falls under the statutory pillar, on the grounds that firstly, it is mandatory, secondly, it is regulated by the state and it is not a result of negotiations between social partners and thirdly, it is provided for by public entities.[245] Moreover, in other rulings, the same court stated that the Greek

241 *Pieters,* The Social Security Systems of the Member States of the European Union, p 157.
242 *Petmesidou*, ASISP 2013, p. 4.
243 *Diliagka,* ZIAS 2012, p. 29.
244 *Korda*, The Role of International Social Security Standards: An In-Depth Study through the Case of Greece, p. 180.
245 Council of State (Plenary Session), Judgment No. 5024/87.

Constitution excludes the supplementary compulsory social insurance from private initiatives.[246] Nevertheless, the Court of Justice of the European Union (hereinafter: CJEU) declared that the only decisive factor in regards to the question of whether or not a type of pension benefit belongs to the occupational or statutory scheme is the nature of the employment relationship.[247]

B. Pension Reforms Affecting Prospective Pensioners

As it has been advocated in chapter one, reforming the Greek public pension system was indirectly conditional upon receiving financial assistance from the Member States of the EMU and IMF, on the grounds that the reduction of the public pension expenditures was one of the policies to meet the required reduction of the general public expenditures and the achievement of a balanced public budget. In this context, Greece's international creditors recommended Greece to increase the retirement ages, since this would boost employment rate and promote growth of real consumption; as well as reduce replacement rates, when they remain high, since this would face the high debt and rising age-related spending.[248] At parallel, the international lenders of Greece disclosed that the Greek state should undertake measures to protect people with low pension income from the impact of the pension cutbacks and that pension benefits should be cut to such an extent, so that a social balance is kept, because major pension reductions could otherwise undermine the broader support of the programme and increase inequity.[249]

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246 Council of State (Plenary Session), Judgment of 21 September 2001, No. 3099/2001. For more information see also *Angelopoulou*, in: *Becker / Pieters / Ross* (eds.), Security: A General Principle of Social Security Law in Europe, p. 158-159.

247 CJEU, *DEI v.* Evrenopoulos, C-147/95, Judgment of 17 April 1997, EU:C:1997:201, at para. 19; *Commission of the European Communities v. Hellenic Republic*, C-457/98, Judgment of 14 December 2000, EU:C:2000:692, at para. 11. The case law of the CJEU cited in this work is available in the Eur-Lex database accessible at the following website: http://eur-lex.europa.eu/homepage.html.

248 *IMF*(2010) 10/110, p. 12.

249 *IMF*(2010) 10/110, p. 19, 24.

In addition, the European Council presented the pension reforms in its Decision No. 2010/320/EU potentially to make the proposed by the Greek state pension reforms fully legal binding for Greece. In particular, Article 2(1) provides that "*Greece shall adopt the following measures before the end of June 2010 … point e: a reduction of the highest pensions, point g: the abolition of the Easter, summer and Christmas bonuses paid to pensioners; par.2: point a: freeze in the indexation of pensions; point b: a law reforming the pension system with a view to ensuring its medium and long-term sustainability. The law should in particular introduce; a unified statutory retirement age of 65 years including for women; a merger of the existing pension funds in three funds and a unified new pension system for all current and future employees (applicable as of 1 January 2013); a reduction of the upper limit on pensions; a gradual increase in the minimum contributory period for retirement on a full benefit from 37 to 40 years by 2015; a minimum retirement age of 60 years; the abolition of the special rules applicable to persons insured before 1993; a substantial narrowing of the list of heavy and arduous professions; a reduction of pension benefits for people retiring between the age of 60 and 65 with a contributory period of less than 40 years; the creation of an automatic adjustment mechanism linking the retirement age with the increase in life expectancy; the creation of a means-tested minimum guaranteed income for elderly people above the statutory retirement age; stricter conditions and the regular reexamination of eligibility for disability pensions; an amendment of the pension award formula in the contributory based scheme to strengthen the link between contributions paid and benefits received (with accrual rate limited to an average annual rate of 1,2 per cent); and an extension of the calculation of the pensionable earnings to entire lifetime earnings (while retaining acquired rights)*".

The majority of pension reforms envisaged in the Council Decision No. 2010/320/EU were ratified by the Greek parliament. Exceptionally, the Greek parliament did not merge the public pension funds into three. The elimination of the Christmas, Easter and holiday bonuses were ratified through Law No. 3845 of 2010 and Law No. 3847 of 2010, related mainly to the field of pension policy, as well as to other areas, such as health sector, tax system, administration and public financial management. The other pension reforms were adopted, in July 2010, by the Greek parliament, with a narrow majority, through two pension bills (Law No. 3863 of 2010 concerning the New Social Security System, applicable to the private sector and self-employed[250] and Law No. 3865 of 2010 applicable to civil servants).[251] These two pension bills were passed after consultation by a special committee, which made its recommendation on the forthcoming public pension reforms after the financial crisis. The committee's report of March 2010, gave emphasis to "*the need to crack down on contribution evasion, implement actuarial surveillance, rationalize the disability pensions, make better use of social insurance funds' assets, standardize procedures for regulating contribution arrears, improve legal provisions for successive insurance by different social insurance funds and the need to distinguish between social insurance and social assistance*".[252] Lastly, in November 2012, the Greek parliament introduced new provisions concerning the provisions on the retirement age.[253]

Following the public pension reforms that affected the prospective pensioners are in details described.

I. Safety-Net for Elderly

1. Safety-Net Inside the Scope of the Pension System

There are four main models that may ensure a safety net for the prevention of old-age poverty: a. a tax-financed means-tested or universal basic pension, b. a basic-pension or guarantee-pension that is associated with contributions, c. a means-tested basic income scheme in old-age (social assistance), and d. a minimum pension that functions as a cushion for those, who already receive a pension.[254] The Greek state provides the pensioners safety-net through the provision of a basic pension for all pensioners and social solidarity benefits for all low-income pensioners.

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250 Law No. 3863 of 2010, Official Gazette of the Hellenic Republic 115/A/15.07.2010.

251 Law No. 3865 of 2010, Official Gazette of the Hellenic Republic 120/A/21.07.2010. Aim of this law was to bring the pension system of civil servants into accord with the pension system of the private sector. See: *Hellenic Republic*(2011), p. 16.

252 *Petmesidou,* ASISP 2010, p. 12.

253 Law No. 4093 of 2012, Official Gazette of the Hellenic Republic 222/A/12.11.2012.

254 *Bäcker,* Soziale Sicherheit 2000, pp. 42-43; *Whiteford / Whitehouse*, Oxford Review of Economic Policy 2006, pp. 84.

a) Basic Pension

The basic pension concerns a safety net for the prospective pensioners and it is set inside the regulatory framework of the social insurance system.[255] In the explanatory report on the Law No. 3863 of 2010, the legislature stated that the basic pension has the characteristic of social assistance and are provided to those that are in need implementing the principle of redistributive justice.[256] The scope of the basic pension scheme covers pensioners across all the public pension funds. The basic pension is also awarded to public sector employees that are entitled to pensions after the 1st of January 2015.[257]

In order to be eligible for a basic-pension, the prospective pensioners must fulfill three requirements. Firstly, they must be at least 67 years of age; secondly, they must have contributed to the public pension system for at least 15 years or 4.500 working days; and thirdly, they must have resided in Greece for a minimum of 15 years as an adult (between the ages of 15 and 67).[258] The full rate of the basic-pension is provided only in cases of 35 years of residence. In cases of shorter periods of residence, the benefit is reduced by 1/35 for each remaining year up to 35 years.[259] Before the introduction of the basic-pension scheme, certain minimum pension limits were legislated and provided for pensioners that had not established a sufficient contribution record, so as to secure a top-up income.[260] However, the minimum pension limits regulation is abolished and replaced by the basic pension.[261] Elderly citizens that do not fulfil the above described

255 Art. 2, Law No. 3863 of 2010 and Art. 3, Law No. 3865 of 2010.
256 Explanatory report on the Law No. 3863/2010, p. 1.
257 Art. 3, Law No. 3865 of 2010.
258 Art. 2, Law No. 3863 of 2010 and Art. 3, Law No. 3865 of 2010 in combination with Art. 1, B.2 and IA. 4, Law No. 4093 of 2012.
259 Art. 2, Law No. 3863 of 2010.
260 For example, employees insured with IKA-ETAM before the 1st January of 1993 received a minimum pension equal to 20 times the statutory minimum wage, while employees insured with IKA-ETAM after the 1st January of 1993 received a minimum pension equal to 70 percent of the statutory minimum wage as determined by the National Labour Collective Agreements. See also *Korda*, The Role of International Social Security Standards: An In-Depth Study through the Case of Greece, p. 371-372.
261 Art. 34(1.11), Law No. 3996 of 2011, Official Gazette of the Hellenic Republic, 170/A/05.08.2011.

three requirements are provided only with the social insurance benefit for uninsured elderly that is described below.

The main objective of the basic-pension is to ensure a basic income in old-age and to combat poverty and inequality among the elderly, as well as the strengthening of social inclusion.[262] The Greek financial and economic crisis made the introduction of a basic-pension scheme an urgent matter, by aiming to prevent any further increase in poverty among the elderly.[263] According to the explanatory report on the Law No. 3863/2010, the basic pension has a preventive function and is provided to those in needs reflecting the principle of inter-generational solidarity.[264] Moreover, the new basic-pension scheme constitutes a transposition of Article 58 of Regulation No. 883/2004 of the EU, which provides that the national legislature must fix a minimum benefit for all resident pensioners in the territory of the country.

The amount of the basic-pension is a flat-rate for all new labour-market entrants after the 1st of January 2011 and was set at 360 Euros per month for the year 2011. The benefit is funded by the state-budget and provided for by the public pension funds that also provide for their proportional pension. It is adjusted according to GDP fluctuations and the consumer price index by a joint decision between the Minister of Finance and the Minister of Employment and Social Protection.[265] For all individuals that were first insured with a social insurance organisation before the 1st of January 2011, the amount of the basic-pension is calculated according to the years of insurance before the 1st of January 2011.[266] In cases of early retirement, the full rate of the basic pension is proportionally reduced in tandem with the reduction rate of the proportional pension. The pensioners receiving disability pensions receive 75 percent or 50 percent of the basic pension, depending on the severity of their disability. Regarding the survivor's pension, the basic pension is reduced according to the regulations of each social insurance institution or national legislation.

262 Art. 1(1), Law No. 3863 of 2010.

263 In 2012, 23.1 percent of the total population was at risk of poverty, while in 2010, the risk of poverty rate was 20.1 percent, which is 3 percent higher. See *Hellenic Statistical Authority*(2013).

264 Explanatory report on Law No. 3863 of 2010, p. 1.

265 Art. 11(1), Law No. 3863 of 2010.

266 Art. 2(2a), Law No. 3863 of 2010 and Art 3(2a), Law No. 3865 of 2010.

b) Social Solidarity Benefit (EKAS)

Besides the basic-pension scheme, Greek law provides additional safeguards against old-age poverty through social solidarity benefits (EKAS), inside the scope of the social insurance system. The Greek legislature provides marginal benefits to specific groups of pensioners that cannot guarantee dignified living conditions and an adequate income, while as the amounts given is much lower than the benefits granted by other southern European counties.[267]

EKAS is a means-tested safety net income given to low-income pensioners. It is funded through the public tax revenue. The scheme was introduced in 1996 and caters for the poorest pensioners without significant cash savings, who have reached the age of 65 years and are Greek residents.[268] It is designed to supplement the awarded pension entitlements, namely the primary pension (old-age pension, disability pension or survivor pension). Eligible for this benefit are pensioners, whose pension incomes are below a certain income level and whose total taxable personal and household income does not exceed a specified amount per year. EKAS is also payable to those who receive invalidity pension and are more than 80 percent disabled.[269] Individuals that receive early retirement or reduced disability pension have their social benefits reduced by a third.[270]

2. Safety-Net Outside the Scope of the Pension System

Uninsured elderly that are not eligible for basic pension and EKAS are granted social solidarity benefits. Namely, individuals that have not made contributions to the social security system nor have a contribution record which is less than 4,500 working days or 15 years are eligible to the social assistance of the uninsured elderly. This form of benefits exists outside the

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267 *Matsaganis,* JESP 2000, pp. 75-76.

268 Art. 20, Law No. 2434 of 1996, Official Gazette of the Hellenic Republic, 188/A/20.08.1996, as amended in Art. 34, Law No. 3996 of 2011.

269 This group of pensioners does not have to fulfil the requirement of being 65 years old. This applies also to children of the deceased who receive survivor's pension. Art. 8(1), Law No. 4237 of 2014, Official Gazette of the Hellenic Republic 36/A/12.02.2014.

270 Art. 34(3c), Law No. 3996 of 2011.

regulatory framework of the social insurance system and concern a social assistant benefit. It is granted to those who have serious financial needs and have a more '*therapeutic*' rather than '*preventive*' function.[271] The pension provisions for the uninsured elderly comprises of a means-tested social assistance benefit financed by the public tax revenue. It is provided for, by the national agricultural insurance institute (OGA): This social welfare provision is a flat-rate benefit. OGA is responsible for providing this welfare benefit to all uninsured elderly persons that satisfy the following prerequisites: a. they have reached the statutory pension age of 67 years; b. they have been Greek residents for at least 20 years as adults (the value of the benefit is adjusted depending on the length of residence); c. they do not have a sufficient yearly personal or household income.[272]

II. Proportional Pension

1. Qualifying Conditions

The reformed Greek public pension system provides stricter eligibility criteria for pension entitlement. The disbursement of a proportional pension is conditional upon two criteria: a. the pension age; and b. the years of contribution. Ratione personae falling within the scope of the new public pension system include private sector employees and self-employed individuals, whereas Law No. 3865 of 2010 concerns the regulations of the public sector pension. Despite the fact that the regulation of private and public sector pension are regulated by two separate legislative texts, the requirements for pension entitlement are similar.

271 *Amitsis,* Hellenic Justice 1992, p. 505.
272 Law No. 1296 of 1982, Official Gazette of the Hellenic Republic, 128/A/12.10.1982, as amended in Art. 1(IA.6.5), Law No. 4093 of 2012.

a) Pension Age: Pre and Post Crisis

aa) Normal Pension Age

In 1951, the pension age was set at 65 for men and 60 for women.[273] However, special arrangements were made. More specifically, employees insured with IKA-ETAM before the 1st of January 1993 could qualify for a full pension at the age of 58 as long as they had a contribution record of at least 10,500 working days or 35 years of pensionable service,[274] or if at the age of 63 (for men) and 58 (for women), they have a contribution record of 4,050 working days.[275] The pension age was set at 65 years for both men and women (workers, self-employed and public employees) insured with a social insurance scheme after the 1st of January 1993.[276] The equalisation of the pension age for both men and women aims to comply with the CJEU ruling.[277] In particular, the Court ruled that the different pension ages between men and women in the public sector was not in line with the EU law and in particular with Article 141 of the European Community (hereinafter: EC) (Article 157 TFEU), which requires equal pay for male and female workers.

The pension qualification ages of civil servants appointed before the 1st of January 1993 as well as of other privileged groups were much lower and diverse. The old national social security system allowed public sector employees or certain employees insured with privileged social security funds to claim full pension benefits before the age of 65. For example, privileged civil servants, who were appointed before the 1st of January 1983 and retired by the 1st of January 1998, were allowed to receive pension payments after 35 years of pensionable service and upon reaching the age of 55 years for men and 53 years for women.[278] Furthermore, mothers with underage children or children incapable of working were entitled to retirement at the age of 55 after 20 contributory years or 5,500 working

273 Art. 28(1), Emergency Law No. 1846 of 1951.
274 Art. 28(1), Emergency Law No. 1846 of 1951, as amended in Art. 143(1), Law No. 3655 of 2008.
275 Art. 27(1), Law No. 1902 of 1990.
276 Law No. 2084 of 1992.
277 CJEU, *European Communities v. Hellenic Republic*, C-559/07, Judgment of 26 March 2009, EU:C:2009:198.
278 Art. 2a, Law No. 2084 of 1992.

days, while mothers with at least three children could retire at the age of 50 after 20 years of service.[279]

The new pension legislation increased the pension age by two years i.e. to 67 years of age.[280] The Greek government reported in the letter of intent of December 2012 that "*despite measures taken in 2010, the share of pensions in GDP remained high by European standards*" and therefore, *inter alia* the statutory retirement age will be increased to 67 and in all other cases including early retirement the retirement eligibility will be postponed by two years.[281] In the explanatory report on the pension bill that introduced the increasing in the retirement age, the legislature states that the reason of this measure is to reduce the public pension expenditures. The European Commission stated in its report on the economic adjustment programme of the second financial assistance that the increase in the retirement from 65 to 67 will reinforce the sustainability of the Greek public pension system over the medium and long –term,[282] while the IMF reported that this pension measure as well as other pension measures of 2012 that bring forward the impact of the 2010 pension reform „*will reduce pension spending from 17 percent to about 14 percent of GDP in 2013*".[283]

The increasing of the retirement age from the statutory retirement age to the age of 67 came into force as of the 1st of January 2013.[284] More particularly, the pension age, for men and women, first insured after the 1st of January 1993 as well as men, insured with IKA-ETAM before the 1st of January 1993, was increased from 65 to 67 years. The pension age of women insured with IKA-ETAM before the 1st of January 1993 was increased from 60 to 67 years for a full old-age pension benefit. Public sector employees entitled to old-age pension benefits may claim for a proportional pension upon reaching the normal pension age of 67 years. Furthermore, the retirement age of mothers in the public sector with underage children was raised from 55 years to 67 years.

279 Art. 3 and Art. 24, Law No. 2084 of 1992, as amended in Art. 144, Law No. 3655 of 2008.
280 Law No. 4093 of 2012.
281 *IMF*(2012), p. 19.
282 *EU-COM*(2012b) 123 final, p. 25.
283 *IMF*(2013) 13/20, p.26.
284 Art. 1, Law No. 4093 of 2012.

Moreover, a link is drawn between the pension eligibility age and the life expectancy rate.[285] More specifically, the normal pension age will be revised in line with the life expectancy rate from the 1st of January 2021. The readjustment of the pension entitlement ages will start form the age of 65, taking into consideration the life-expectancy statistics of the period 2010-2020. After the 1st of January 2024, the pension ages will be revised every three years. The adjustments will not be automatically applied, but it will be implemented by joint decision between the Minister of Finance and the Minister of Employment and Social Protection, in light of the previous year's statistical data provided by the Hellenic Statistical Authority and Eurostat.

bb) Early Pension Age

Individuals who decide to claim pensions before the normal retirement age will be classed as taking an early retirement. This decision requires actuarial deductions. The old framework of the pension system allowed workers insured with IKA-ETAM before the 1st of January 1993 to receive an early pension with actuarial adjustments at the age of 60 (for men) and at the age of 55 (for women).[286] The pension age of workers insured with IKA-ETAM after the 1st of January 1993 was made equal and set at the age of 60.[287] However, at this point, it should be emphasised that the actuarial adjustment was not applied, when the individual received the minimum pension limits. About 70 percent of all IKA-ETAM pensioners were receiving the minimum pension, and therefore the actuarial adjustment was not applied in the majority of cases.[288]

The new framework of the pension system restricts access to an earlier pension. Under the new legislation, the early retirement age for both men and women is increased to 62 years for an early pension entitlement for all individuals across the public pension funds, subject to 15 years of contri-

285 Art. 11, Law No. 3863 of 2010, Art. 7, Law No. 3865 of 2010.

286 Art. 28(5a), Emergency Law No. 1846 of 1951, as amended in Art. 27(1.3), Law No: 1902 of 1990.

287 Art. 24(2), Law No. 2084 of 1992.

288 *Börsch-Supan / Tinios.,* in: *Bryant / Garganas / Tavlas* (eds.), Greece's Economic Performance and Prospects, p. 433.

bution or 4,500 working days.[289] The early pension age of civil servants is also set at 62 years.[290] Old-age pension benefits are reduced by 1/200 of the full pension for each month pending the reaching of the normal pension age, which is the age of 67.[291] Further disincentives for early retirement were imposed on the grounds that early retirement pensions were high and this had as a result that many individuals, in particularly those with low income or short contributory history, did not declare revenues or pay the corresponding social security contributions only to the point where they are entitled to the minimum pension.[292]

However, although the option to receive a full old-age pension benefit earlier than at the age of the statutory retirement age is now, generally, abolished, certain categories may retire earlier. More particular, the judges may retire at the age of 65 and members of the security corps may retire at the age of 60.[293] Furthermore, four more exceptions to the general pension age still remain, namely the retirement age for a parent with children who are unable to work (the mother or the father may retire at the age of 65);[294] disability pension; pensions for workers engaged in arduous and unhygienic professions; and pensions for individuals who have contributed 40 years to the pension system.[295] However, despite the fact that these exceptions remain, there have been some significant changes that are detailed below.

cc) Late Pension Age

In the pre-crisis period, the legislature encouraged citizens to claim old-age pension benefits beyond the normal retirement age. The old-age pension benefits of individuals insured with a public pension fund before the 1st of January 1993 could be deferred, earning a 3.3 percent increment for each year after the age of 60 – up to a maximum of 38 years of contributions, while the old-age pension benefits of individuals insured with a pub-

289 Art. 1, subparagraph IA.4, Law No. 4093 of 2012.
290 Art. 1, subparagraph B.2, Law No. 4093 of 2012.
291 Art. 3, Law No. 3863 of 2010.
292 *EU-COM*(2015a) 162 final, p. 8.
293 Art. 20, Law No. 3865 of 2010.
294 Art. 10, Law No. 3863 of 2010.
295 Art. 10, Law No. 3863 of 2010.

lic pension fund after the 1st of January1993 could be deferred after reaching the age of 65.[296]

However, in the post-crisis period, the yearly bonus for late retirement was reduced for those that had vested pension rights before the 1st of January 2011. More specifically, the old-age pension benefits were increased by 2.5 percent per year, up to a maximum of 37 years of contribution, and 3.5 percent per year up to a maximum of 40 years of contribution.[297] The old-age pension amount is not awarded with corresponding bonuses for those that were first insured with a pension fund after the 1st of January 1993 or those that have vested pension rights after the 1st of January 2011.

b) Pensionable Service[298]

In addition to the requirement of reaching the age of eligibility for pension payments, prospective pensioners are also required to fulfill a specific length of pensionable service. The pensionable service is divided into two categories, the minimum pensionable service and the full pensionable service. In the first case, the individual has the right to a minimum proportional pension benefit, whereas in the second case the individual has the right to a full proportional pension benefit. In addition, the individuals may also put forward specific periods as pensionable service under the banner of notional insured time.

aa) Minimum Pensionable Service

Under the previous pension legislation, the minimum service period required for both men and women to receive the minimum pension was 15 relevant years of contribution or 4,500 working days.[299]

Similarly, under the pension legislation of 2010, both men and women that are first insured with a social insurance scheme receive a pension according to their record of contributions and to qualify for an entitlement to

296 Art. 145, Law No. 3655 of 2008.
297 Art. 25, Law No. 3863 of 2010.
298 Under the term "*pensionable service*" is meant the period, for which an employee has contributed to the public pension system.
299 Art. 3 and Art. 24, Law No. 2084 of 1992.

a proportional pension, the individuals must have contributed to the system for no less than 4,500 working days or 15 years of contribution.[300] As far as the civil servants are concerned, they are entitled to an old-age pension benefit, as long as they have completed at least 15 years of service.[301]

bb) Full Pensionable Service

Under the Greek public pension system, individuals are entitled to early retirement without actuarial reduction. Under the old public pension system, workers insured with IKA-ETAM after the 1st of January 1993 were entitled to a full-pension, as long as they had a contributory record of 37 years or 11,100 working days regardless of their age.[302] However, civil servants had the right to full old-age pension benefits after 25 years of pensionable service.[303]

The new national public pension system increased the 37 years or 11,100 working days to 40 years or 12,000 working days. The working population including civil servants may receive full old-age pension benefits earlier than the age of 67, as long as their contributions are over a period of at least 40 years or 12,000 working days.[304]. The normal pension age of eligibility for the full pension has been fixed at 62 since the 1st of January 2013.[305]

cc) Recognition of Notional Insured Period

The legislature provides the individual with the possibility of recognising notional insured time as years of pensionable service that can be bought off. This operates as a "*counter balance*" to the increasing of the pension age.[306] Such notional insured time is *inter alia* military service, maternity or parental leave, years of study until the acquisition of a first diploma or

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300 Art. 3, Law No. 3863 of 2010 and Art. 4, Law No. 3865 of 2010.
301 Art. 1, subparagraph B.2, Law No. 4093 of 2012.
302 Art. 2(2), Law No. 3029 of 2002.
303 Art. 1, Code of Civil and Military Pensions No. 169 of 2007.
304 Art. 10, Law No. 3863 of 2010.
305 Art. 1 subparagraphs B.2 and IA.4, Law No. 4093 of 2012.
306 *Petmesidou*, ASISP 2011, p.10.

certificate and periods of unemployment and sickness for up to 300 days each.[307] As far as the child-rearing period is concerned, parents have the possibility of buying 300 workings days or 1 year of contribution for the first child, and 600 working days or 2 years of contribution for the 2nd as well as for the 3rd child. In total, a maximum of 5 years may be counted as periods of gainful employment. A contribution of at least 3,600 working days or 12 years is a prerequisite for the recognition of child-rearing notional period.[308] This provision is advantageous to women, since it is usually female employees that interrupt their careers in order to raise the children. The incorporation of unpaid family commitments into the benefit calculation system could result in an improvement in the level of pension reduction accorded to women.

2. Financing

The proportional pension is provided by the public pension funds. It is financed on the PAYG basis. The benefit formula is regulated by the state and not through collective agreements between workers and employers. The pension benefits that are granted up until the 1st of January 2015 are financed on a tripartite basis, i.e. by employee and employer contributions, regular and additional state subsidies as well as resources gained from the optimal use of the assets controlled by the public pension funds.[309] The contribution rates vary depending on the public pension fund. The total contribution rate in IKA-ETAM is 33 percent of the insured citizen's salary, out of which the employee provides 6.67 percent, the employer provides 13.33 percent, while the state contributes 10 percent.[310]

After the 1st of January 2015, the state budget will no longer contribute by means of a fixed percentage towards all public pension funds.[311] More particularly, the upper limit for state's participation on the basic, proportional and supplementary pension benefits was set through Article 11 (2) of the Law No. 3863 of 2010. According to the latter provision, until the

307 Art 40(1), Law No. 3996 of 2011.
308 Art. 39 (1), Law No. 3996 of 2011.
309 *Hellenic Republic*(2005), p. 5-6.
310 Art. 3(4), Law No. 3863 of 2010 with combination of Art. 22(1), Law No. 2084 of 1992.
311 Art. 37, Law No. 3863 of 2010.

year of 2060 the increasing in public pension expenditures must remain under the targeted threshold of 2.5 percent of GDP. This clause provides a self-correcting re-adjusting mechanisms contributing to the sustainability of the system, on the grounds that it links the social insurance benefits to the available public resources.

Until recently, the national legislature has not regulated upper limits of the state's participation in the financing of the public pension system, which was regarded almost unlimited. Under the revised view of the new public pension system, the state's participation in the financing of the funds is reduced, so that the individuals are exclusively responsible for the sustainability of the funds, which may be achieved mainly and exclusively by the mathematical relationship between benefits and contributions. The national legislature set upper limits in the state's participation, in order to avoid that the public pension funds' deficit lead to an increasing of the public deficit. Reducing thus the state's participation, the legislature aimed to confront with the problem of sustainability of the public pension funds as well as the sustainability of the public finances, keeping a balance between these two chronicle problems. However, state contributions are not to be completely abandoned, based on the fact that the state (although not expressly declaring this) guarantees a dignified level of protection, by preserving the system's finances and intervening in case of emergencies.[312] The scientific committee of the Greek parliament emphasised that the state is actually obliged to finance or guarantee the social benefits of the public social insurance system, on the grounds that the social insurance of the employees as well as the payment of contributions is obligatory according to the Greek Constitution.[313]

The total amount of pension allocation is determined with reference to the earnings record, the contribution record and the accrual rate. The new established benefit-calculation formula is regulated by Articles 3 and 4 of Law No. 3863 of 2010 for private-sector workers and the self-employed; as well as Article 4 of Law No. 3865 of 2010 for public sector employees. There is a uniform regulation by these two laws and they apply to the pension income of those who will retire after the 1st of January 2015. Pension benefits that are claimed for the period of employment after the 1st of Jan-

312 *Korda*, The Role of International Social Security Standards: An In-Depth Study through the Case of Greece, p. 506-507.

313 *B' Scientific Parliamentary Committee*, Report of the Draft of the Law No. 3863 of 2010, July 2010.

uary 2011 are incorporated into the new formula, while pension entitlements that are claimed for the period of employment before the 1st of January 2011 are calculated according to the previous legislative regulated benefit formula.

According to the previous benefit formula, the pension payment amounts were calculated in accordance to the years of pensionable service, the family burden(s),[314] as well as the estimated daily earnings for the last five years prior to retirement.[315] The estimated daily earnings were classified to 28 insurance classes, which corresponded to a fixed amount and to a specific percentage used to calculate the pension. The percentage was higher for those with low earnings and lower for those with high earnings. The replacement rate was 60 percent of the salary corresponding to a contribution record of 35 years for a primary pension and 20 percent for a supplementary pension. When the supplementary pension was included, total replacement rate could even be as high as 80 percent.[316] In situations whereby the total final pension amount was less than the sums specified by the legislature, the minimum pension was awarded.

According to the new benefit formula, the amount of the old-age pension benefit to be awarded is calculated in accordance with the average earning over an entire employment career, while according to the previous calculation formula the pensionable earnings used to be calculated on the five or ten last years of a person's careers. Thus, assuming that the earnings from the earlier parts of the employment history are low, this full-career measure works in manner that reduces the pension income. The earnings are adjusted yearly according to a sustainability principle. This sustainability principle is adjusted in accordance with the annual earnings registered in the social security to the consumer price index (inflation).[317] The replacement rate is set at about 34 percent for 35 years of service and 41 percent for 40 years of service. According to the new law, the adjustment is defined each year by legislation following consultation with the

314 By family burdens it is meant unmarried or dependent children below the age of 18, or below the age of 24 if the child is in full-time education.

315 Art. 28(1), Law No. 2084 of 1992, as amended in Art. 145(2), Law No. 3655 of 2008. For more information see *Korda*, The Role of International Social Security Standards: An In-Depth Study through the Case of Greece, p. 367-368.

316 *Petridou*, in: *Reynaud /apRoberts / Davies et al.* (eds.), International Perspectives on Supplementary Pensions: Actors and Issues, p. 26.

317 Art. 3(2), Law No. 3863 of 2010.

Hellenic Statistical Authority (EL.STAT) and the National Actuarial Authority (EAA).[318]

The record of contributions defines the unified accrual rate for all insured persons. The new legislation foresees 10 classifications of the years of service or working days and accords low old-age pension benefits to individuals that cannot complete a full-length career. Each classification functions at a different accrual rate. The estimated accrual rate ranges between 0.8 percent and 1.5 percent of individual earnings.[319] For example, the accrual rate is 0.8 percent, when the individual has between 300 to 4,500 workings days or 1 to 15 years of contribution, while the accrual rate is 1.4 percent when the individual has completed between 10,801 to 11,700 working days or 36 to 39 years of contribution. For a full-career employment starting from the age of 27 until retirement at the age of 67 (12,000 working days or 40 years of contribution up to a maximum of 50 years of contribution or 15,000 working days), the pension benefit accrues at 1.5 percent of earnings. This progressive benefit formula creates incentives to work longer, since when the individual contributes for more than 40 years, the accrual rate continuously increases. The final amount of the pension to be awarded is calculated according to the rate of the last pensionable year.[320]

However, the total amount of the basic and proportional pension should not surpass the threshold of 15 times the wage of an unskilled worker, when the individual has completed at least 15 years of contribution or received a full disability pension (i.e. 80 percent and over disabled).[321] The amount of both the basic and proportional pension to be awarded will be adjusted yearly from the 1st of January 2014 onwards in reference to the GDP fluctuations and the consumer price index, by joint decisions between the Minister of Finance and the Minister of Employment and Social Protection.[322] After the 1st of January 2011, the EAA determines and evaluates the actuarial studies every two years, confirmed by the EU Economic Policy Committee. According to these studies, the legislature adjusts the amount of pension benefits, in order to ensure the sustainability of the public pension system. This model is applied in order to structure the pen-

318 Art. 3, Law No. 3863 of 2010.
319 Art. 3(1), Law No. 3863 of 2010.
320 *Ibid*.
321 Art. 3(3), Law No. 3863 of 2010.
322 Art. 11(1), Law No. 3863 of 2010.

sion system in line with increases in living standards. The increase in life expectancy is not taken into account in regards to the calculation of the amount of pension payments to be awarded, but it is relevant to the regulation of the pension age.

III. Supplementary Old-Age Pension Benefits

The supplementary pension schemes in Greece exercise authority as public legal entities.[323] The supplementary pension has a complementary function to the proportional pension, and a mandatory character, namely the employees and employers are obliged to pay contributions to the supplementary public pension funds. This has been held as constitutional by the Council of State, on the grounds that the supplementary pension benefits are necessary in order to secure similar living conditions to those that the pensioners were enjoying prior to their retirement, as this is indicated by Article 22(5) of the Greek Constitution.[324]

Prior to the crisis, the supplementary public pensions were provided by a large number of insurance funds. This created an operational framework for the supplementary earnings-based system. For instance, besides the IKA-ETEAM, which was the supplementary pension scheme for employees that pay contributions to IKA-ETAM,[325] a great number of supplementary pension funds was existed for employees, such as TEAIT, which was the supplementary pension scheme for the private sector and TAYTEKO, which was the supplementary pension scheme for bank employees and public utility services. The supplementary pension scheme for civil servants was TEADY. There were also other numerous supplementary schemes covering various other professions. A supplementary pension

323 *Hellenic Republic*(2002), p. 26.

324 Council of State (Plenary Session), Judgment of 10 June 2015, Nos. 2287-2290/2015.

325 It was founded in 1979 as legal public entity (IKA-TEAM) by Law No. 997 of 79, Official Gazette of the Hellenic Republic 287/A/28.12.1979 and was incorporated into IKA-ETAM in 1983 by Law No. 1358 of 1983, Official Gazette of the Hellenic Republic 64/A/24.05.1983. In 2003, it was replaced by IKA-ETEAM by Law No. 3029 of 2002.

scheme for farmers was established in 1987[326] which was, nonetheless, abolished in 1998.[327]

On the 28th February of 2011, the Greek state provided that Greece will reform by the end-September of 2011 the supplementary and welfare funds "*to eliminate imbalances in those funds with deficits; introduce a strict link between benefits and contributions to guarantee the sustainability of all funds, and reduce the number of existing funds.*"[328] On the 7th March of 2011, the Council adopted Decision No. 2011/257/EU providing that "*Greece shall adopt the following measures by the end of March 2012:(a) a reform of the secondary/supplementary pension schemes, by merging funds and starting the calculation of benefits on the basis of the new notional defined- contribution system; freezing of nominal supplementary pensions and reduction of the replacement rates for accrued rights in funds with deficits, based on the actuarial study prepared by the National Actuarial Authority. In case the actuarial study is not ready, replacement rates would be reduced, starting from the 1st of January 2012, to avoid deficits*".[329]

The reforms of the supplementary pension schemes and the relevant measures concerning these schemes were implemented by a pension bill that was adopted by the Greek parliament on March of 2012.[330] Since 2012, the operational system of the supplementary contribution system has being amended whereas the various supplementary pension schemes have been reduced.[331] Five are the main supplementary funds functioning as public entities. The five public entities supplementary funds are: a. ETEA, which was introduced in 2012 and is monitored by the Minister of Labour and Social Insurance and covers the employees and the civil servants,[332] b. ETAP-MME, which covers all individuals who work in the media, c.

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326 Law No. 1745 of 1987, Official Gazette of the Hellenic Republic 234/A/ 31.12.1987.

327 Law No. 2458 of 1997.

328 *IMF*(2011a), p. 6.

329 *Council*(2011), Art. 11.

330 Law No. 4052 of 2012, Official Gazette of the Hellenic Republic 41/A/ 01.03.2012.

331 Art. 35, Law No. 4052 of 2012.

332 Art. 35(1), Law No. 4052 of 2012. Until the 27th March of 2013, sixteen supplementary public pension schemes for public and private sector employees have been merged with ETEA, *inter alia* IKA-ETEAM and TEADY. Further supplementary pension schemes can be added in the future, upon request by the funds'

OAEE, which covers the self-employed, d. ETAA, which covers the lawyers, doctors and engineers, e. TEAPASA, which covers the employees of the uniformed forces. The above supplementary funds may be amended to occupational pension funds functioning as private entities upon their contributors' request.[333] The remaining supplementary funds are functioning as private entities with mandatory contributions.[334]

1. Qualifying Conditions

Pensioners receive a supplementary pension from the supplementary pension schemes as long as they have satisfied the qualification requirements. The eligibility conditions to receive a supplementary pension are the same as the requirements for the primary pension. These supplementary pension benefits are available to those who are registered and have fulfilled the requirement for the primary proportional pension, while their pensionable service period must also have been for at least fifteen years.[335] In June 2013, two out of three pensioners received a supplementary pension.[336]

2. Objective and Calculation Method

The function of the supplementary old-age pension benefits is to supplement the primary earnings-related pension benefits and to improve the financial well-being of the insured individual.[337] Aim of the 2012 reform is to eliminate imbalances and guarantee the budgetary neutrality of supplementary pension schemes through the maintenance of a strict link between contributions and benefits.[338]

Under the previous legal framework, the supplementary system operated under a defined-benefit system.[339] Each supplementary scheme was au-

representative board. ETEA provides supplementary monthly old-age pension benefits, disability pensions as well as survivor's pension benefits.

333 Art. 7 and Art. 8, Law No. 4052 of 2012.

334 See also *Paparrigopoulou-Pechlivanidi*, EDKA 2014, pp.475-476.

335 Art. 41, Law No. 4052 of 2012.

336 EU-*COM*(2013a) 159 final, p. 23.

337 *Kremalis*, Right to Social Security, p. 76.

338 *EU-COM*(2012a) 123 final, p.8.

339 *Hellenic Republic*(2005), p. 6.

tonomous in defining its own management system, while the proportion of contribution and benefits were legislatively formulated.[340] The upper limit of the supplementary pension benefits to be awarded corresponds to 20 percent of the previous earnings during the insurance period of 35 working years, while in cases of early retirement the supplementary pension was reduced by 4.5 percent for every year prior to the year of retirement.[341]

After the domestic financial crisis, the old defined-benefit system changed to a notional defined-contribution system (hereinafter: NDC), i.e. one with an actuarially neutral calculation of the pension benefits, precluding any kind of fund transfer from the public budget. The source of finance has not been altered. The supplementary pension is still financed by the contributions of employers (3 percent) and employees (3 percent) as well as by property proceeds of the supplementary public pension schemes.[342] The state does not guarantee to cover any deficits incurred by the supplementary schemes, as any transfer of funds from the public budget to the supplementary funds is prohibited.[343].

The new formula is applied to individuals that enter the labour market after the 1st of January 2014, while it is also applied to individuals that entered the labour market before that date. However, this only applies to contributions which are made after the 1st of January 2015.[344] The amount of the supplementary pension to be awarded is dependent on the choice of the beneficiary whether the social benefits will be transferred to the survivors or not.[345] Furthermore, the amount to be awarded depends on the notional return that is applied to the contributions, with consideration also given to the sustainability factor, which guarantees the continuity of the system. The sustainability factor depends on the average earnings of the insured as well as the number of insured persons and demographic

340 *Petridou*, in: *Reynaud / apRoberts / Davies et al.* (eds.), International Perspectives on Supplementary Pensions: Actors and Issues, p. 28, 30.

341 *Hellenic Republic*, Ministry of Labour and Social Security 2002, p. 39.

342 Art. 38, Law No. 4052 of 2012.

343 It is argued that this preclusion violates the constitutional right of social insurance of Article 22(5) of the Greek Constitution, on the grounds that the state must be obliged to guarantee the existence of the schemes because of its obligatory character. See *Katrougalos*, EDKA 2011, p.660.

344 Art. 39, Law No. 4052 of 2012 as amended in Law No. 4254 of 2014, Official Gazette of the Hellenic Republic 85/A/7.4.2014.

345 Art. 42, Law No. 4052 of 2012.

changes.[346] It concerns the clause of "*null deficit*", which constitutes a self-correcting mechanism in the supplementary public pension funds. In other words, according to this clause, when the expenditures exceed the revenues, the benefits shall be re-adjusted. The pension benefits must be then reduced in accordance to the paid contributions, so that any deficit in the supplementary pension fund is avoided. As a result, this may lead to a continuing reduction of the supplementary old-age pension benefits The Council of State declared that this clause and consequently the state's failure to participate in the financing of the supplementary public pension funds were unconstitutional.[347] According to the court, the state is obliged to finance these funds, on the grounds that the payment of contributions is mandatory for the employees and employers. Namely, since the state obliges the individuals to pay contributions for their supplementary pension benefits, it is obliged to participate in their financing.

IV. Further Regulations

1. Arduous and Unhygienic Professions

A number of professions are specifically classified as arduous and unhygienic professions (hereinafter: AUP). Workers in such professions have the right to receive a full pension earlier than the statutory pension age. This preferential treatment is justified firstly, on the basis that it is necessary to protect the health of workers in unhealthy professions by reducing the time that they are exposed to their unhealthy working environment, seeing as they generally tend to have a lower life expectancy. Secondly, there is no proper legislative framework concerning health and safety at work, in Greece.[348] The favourable conditions granted for early retirement were first introduced by Articles 28 and 29 of Law No. 1846 of 1951.

According to the previous public pension system, both men and women first insured before the 1st January of 1993, who have engaged in AUP, could

346 Decision of the Ministry of Labour, Social Insurance and Welfare No. 1168/31.08.2012, Official Gazette of the Hellenic Republic 2276/B/06.08.2012.

347 Council of State (Plenary Session), Judgment of 10 June 2015, Nos. 2287-2290/2015.

348 *Korda*, The Role of International Social Security Standards: An In-Depth Study through the Case of Greece, p. 332.

receive a full rate pension, at the age of 55, if they had a contribution record of 10,500 working days (7,500 working days in an AUP) and an early pension at the age of 53.[349] Old-age benefits may be received by the individual at the age of 60 (men) and 55 (women) after 4,500 working days (3,600 of which were in an AUP).[350] The individuals first insured after the 1st January of 1993, may receive old-age benefit at the age of 60 after the accomplishment of 4,500 working days (3,375 of which in an AUP).[351]

The current public pension system provides that employees (both men and women) engaged in AUP are entitled to a full pension at the age of 62 or to an early pension at the age of 60, as long as the individual has contributed to the social security funds for a minimum of 10,500 working days (out of which 7,500 are in an AUP).[352] Thus, the required contribution record remained the same, while the retirement age is increased by 7 years for the individuals first insured before the 1st January of 1993 and by two years for the individuals first insured after the 1st January of 1993.

The classification of professions as AUPs is defined and revised by decisions of the Ministry of Employment and Social Protection after consultation with a committee of experts.[353] This committee was set up by Article 32 of Law No. 1902 of 1990 and is composed of 11 members, among whom are representatives of the Greek General Confederation of Labour (hereinafter: GSEE) and the Hellenic Federation of Enterprises (SEV) as well as medical experts. The committee submits a report to the Ministry of Employment and Social Protection in which it recommends which specific professions should be classified as AUP. The previous pension system classified about one thirds of the total labour force as being in AUP. However, the aim of the legislature was to reduce the extensive list of those professions to less than 10 percent of the total working population.[354] In fact, the legislature finalised the list to 8 percent of the total labour force, [355] while on the 28th of February 2011, the Greek Government com-

349 Art. 32, Law No. 2874 of 2000, Official Gazette of the Hellenic Republic 286/A/ 29.12.2000.
350 Art. 143, Law 3655 of 2008, Official Gazette of the Hellenic Republic 58/A/ 03.04.2008.
351 Art. 27(1), Law No. 1902 of 1990, as amended in Art. 2(6), Law No. 3029 of 2002.
352 Art. 10(2), Law No. 3863 of 2010.
353 Art. 17, Law No. 3863 of 2010.
354 IMF(2010b) 10/286, p. 10.
355 *Ibid*, p. 16.

mitted further to revise the list of AUP.[356] Some of the professions that are removed from the list include: hairdressers, workers in pharmaceutical manufacturing as well as cashiers in department stores. However, new professions were added i.e. nursing staff, TV technicians and cameramen. The new AUP list is applicable to all current and future workers, who are entitled to a pension after the 1st of January 2015 and should be reviewed every three years.

2. Invalidity Pension

Individuals permanently or temporarily unable to work are allowed to receive an invalidity pension. The qualifying conditions for an invalidity pension include the accomplishment of a certain number of minimum years of service and the establishment of a certain degree of disability.[357] More specifically, the individual must complete 4,500 working days or 300 days, if he or she has not reached the age of 21. The 300 workings days are progressively increased to 4,200 working days by adding 120 days for each year after the age of 21. Should the individual fail to fulfil the above mentioned minimum years of service, he or she can receive an invalidity pension after having contributed to the system for five years, provided that within the last five years before the disability occurred, he or she had contributed for at least two years.[358] In a situation whereby the insured became disabled due to an occupational accident, he or she is entitled to an invalidity pension regardless of his or her years of contribution or age.[359] The individuals insured with a public pension fund after the 1st of January 1993 and receive a temporary disability pension, are entitled to a permanent disability pension, as long as they have reached the age of 55 and have performed seven years of pensionable service, or are at the age of 60 and have completed 5 years of pensionable service.[360]

The invalidity rates as well as the amount of the invalidity pension to be awarded are legally defined. The amount of the invalidity pension to be awarded is calculated in accordance to the level of disability. Disability is

356 IMF(2011a), p. 6.
357 The qualifying conditions are regulated by Law No. 1902 of 1992.
358 Art. 25(1), Law No. 1902 of 1992.
359 Art. 26, Law No. 1902 of 1992.
360 Art. 8, Law No. 3863 of 2010.

considered as absolute (at least 80 percent disabled), when the individual earns less than a fifth of the earning capacity of a healthy person, who carries out the same or a similar profession. Acute invalidity (at least 67-79 percent disabled) occurs when the individual earns less than a third of the earning capacity of a healthy person, while partial invalidity (at least 50-66 percent disabled) occurs when the individual earns less than half of the earning capacity of a healthy person.[361] Absolute disabled persons receive a full old-age pension income. They can retiree earlier and receive a full pension, based on their years of service. Individuals that are classified as 67-79 percent disabled receive three- quarters of a full pension, while the partially disabled are entitled to the half of a full pension.[362] Additionally, the flat-rate amount of the basic pension is provided at 100 percent in cases of absolute invalidity, then 75 percent in cases of acute invalidity and 50 percent in cases of partial invalidity.[363]

After the financial and economic crisis, the eligibility rules for an invalidity pension have not been changed. However, following the new pension law changes were introduced to the method of deciding on the levels of disability. The level of disability is defined by the Ministry of Employment and Social Protection after consultation with the independent Disability Certification Centre of IKA-ETAM. The latter was established in 2011[364] and is responsible for assuring, whether an individual is eligible to claim a permanent or temporary invalidity pension. Other committees that had been established by previous laws are abolished. This independent medical committee is composed of 7 members and makes its decision based on common criteria system.[365] The committee reviews the regulations in order to determine the severity of the disability and categorise the disability either as physical or as mental. The state's aim is to introduce tighter disability criteria, so as to ensure that only 10 percent of the overall pension population will be eligible for disability benefits by the year 2015.[366]

361 Art. 27(5), Law No. 1902 of 1992.
362 Art. 29, Law No. 1902 of 1992.
363 Art. 2, Law No. 3863 of 2010.
364 Art. 6, Law No. 3863 of 2010.
365 Art. 6(1) and 7, Law No. 3863 of 2010.
366 *IMF*(2011) 11/351, p. 16.

3. Survivor's Pension

The reformed Greek public pension system has tightened the eligibility rules regarding the ability of spouses and children to claim survivor's benefits, while certain privileges accorded to unmarried or divorced daughters of civil servants have been abolished. More specifically, a surviving spouse is eligible for a survivor's pension benefit, if he or she was married to the deceased more than three years before the death, or if they were married less than five years before the death and the deceased does not receive an old-age or disability pension. These rules do not apply when the death is caused by an accident, or if the couple have natural or adopted children or the widow was pregnant at the time of the death.[367] The children of the deceased are equally entitled to the benefit as long as they are under the age of 18 or permanently disabled, regardless of any other conditions. Surviving children between ages 18 and 24 can also claim for the benefit, as long as they are in full time education.[368] Additionally, another condition that is necessary for a survivor to be eligible to the benefit is that the deceased member must be insured for a specific number of years. The required years of contribution are not the same across all public pension funds. The public pension fund of IKA-ETAM requires the deceased to have completed at least 1,500 working days, 300 of which were within the five year period prior to the death.[369] The public pension fund for self-employed individuals requires 3,000 working days.[370]

The amount awarded under the survivor's pension depends on the profession and the records of the deceased earnings. The survivor's pension is calculated in the same way the old-age pension would have been calculated excluding any additions for family allowances. If the deceased was already receiving a pension at the time of the death, the amount to be paid is the existing monthly entitlement.[371] However, the survivors' pension benefits must not supersede a specified amount.[372] Prior to the pension re-

367 Art. 12, Law No. 3863 of 2010.
368 Art. 13(1), Law No. 3863 of 2010.
369 Art. 27(6), Law No. 1902 of 1992.
370 Art. 36(4), Law No. 1902 of 1992.
371 Art. 28(12), Emergency Law No. 1846 of 1951.
372 The Law No. 4093 of 2012 specified the benefit at the amount of 720 Euro. See Art 1subparagraph B.5.

form of 2010, the amount awarded under the benefit depended on whether the deceased was first insured before or after the 1st of January 1993. When the deceased was first insured before the 1st January of 1993, the benefit was granted at a rate of 70 percent to the spouse and 20 percent to each child. When the deceased was first insured after the 1st of January 1993, the benefit was granted at a rate of 50 percent to the spouse and 25 percent to each child. Moreover, under previous legislation, a surviving spouse that was over 40 years could receive the entire pension for more than three years.[373] According to the new pension legislation of 2010, the survivor's benefit is paid to the spouse on a monthly basis for a period of three years. Following, the period of three years, the surviving spouse receives half of the benefit and then 70 percent of the benefit, when the surviving spouse reaches the normal pension age. The spouse receive the full survivor's pension even beyond the three year period, when the spouse does not work and neither does he or she receive any other kind of pension benefits, nor has an earnings record, nor is he or she classified as being at least 67 percent disabled.[374]

As far as the survivors' pension for unmarried or divorced daughters of civil servants, banking employees and army officials is concerned, under the previous public pension system, they were entitled to a lifetime monthly survivor's pension without any other specific prerequisites, while divorced daughters were eligible to the benefit under specified circumstances, such as reaching the age of 40.[375] This privileged treatment is abolished. Exceptionally, male and female disabled children (at least 67 percent) whose parents were appointed in the public sector or army forces before the 1st of January 1983 are entitled to the survivor's pension, as long as they have reached the age of 50 and their income is less than the minimum pension.[376] Unmarried or divorced daughters, who already receive the survivor's pension, are still entitled to the benefit, under the condition that their income does not surpass the threshold of thirty times the

373 Art. 62, Law No. 2676 of 1999. For more information, see *Korda*, The Role of International Social Security Standards: An In-Depth Study through the Case of Greece, p. 377.
374 Art. 13(2), Law No. 3863 of 2010.
375 Art. 5, Code of Civil and Military Pensions No. 169 of 2007.
376 Art. 14, Law No. 3863 of 2010 and Art. 9(1), Law No. 3865 of 2010.

wage of an unskilled worker.[377] In a situation in which there is more than one daughter, the survivor's pension is equally divided among them.[378]

4. Employment of Pensioners

Employment of pensioners is possible, subject to certain restrictions.[379] The whole amount of the old-age pension benefit is withheld, when the pensioner is below the age of 55. If the pensioner is above the age of 55 and his or her gross income surpasses the wages of an unskilled worker by 60 times, the old-age pension will be reduced by 70 percent.[380] However, the gross amount is calculated differently when the pensioner has underage child who is up to 24 years. In this scenario, the total amount of the pension to be awarded will be increased by 6 times the wages of an unskilled worker for each child.[381] When the pensioner receives the pension from the public pension fund of OAEE or ETAA (funds for the self-employed), he or she is obliged to contribute a sum that is 50 percent higher to OAEE or ETAA. In a situation whereby the amount of the pension to be awarded surpasses 60 times the wages of an unskilled worker, this payment will be withheld suspended.[382] A retiree that works as an employee or one that is self-employed has the right to make more contributions towards his final pension allocation during his second period of employment.[383]

C. Pension Reforms Affecting Current Pensioners

In addition to the above described parametric public pension reforms, the Greek parliament introduced also a number of reductions in the old-age pension benefits awarded to current pensioners. These reductions stem from the urgent need to regulate the expenditure of the social insurance budget, in light of the fact that this plays a major role in determining the

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377 *Ibid.*
378 Art 1 subparagraph B.5, Law No. 4093 of 2012.
379 Art. 63, Law No. 2676 of 1999, as amended in Art. 16 of Law No. 3863 of 2010.
380 Art. 16(1), Law No. 3863 of 2010 in combination with Art. 4(5a), Law No. 4151 of 2013.
381 Art. 16(1), Law No. 3863 of 2010.
382 Art. 16(2), Law No. 3863 of 2010.
383 Art. 16(3), Law No. 3863 of 2010.

overall economic well-being of the state and were recommended to Greece, because the reduction in public sector pensions could help the boost of competitiveness.[384]

The first wave of reductions was introduced by Law No. 3845 of 2010 „*Measures for the Implementation of the Economic Adjustment Programme for Greece as was set in the Agreement with the Member States of the EMU and the IMF*".[385] According to its explanatory report, aim of the reduction was to achieve a public deficit below than 3 percent of GDP by 2014, regression 4 percent in 2010 and progression from 2012 onwards.[386] The legislature supported that the undertaken measures were necessary for the ability of the state to continue paying the old-age benefits and the salaries of the public servants, while the alternative solution would have been the economic collapse of the country. More specifically, the Law No. 3845 of 2010 introduced the abolishment of Christmas, Easter and holiday allowances for the pensioners who were less than 60 years old, and the reduction of these allowances for those above 60 years.[387] By way of substitution, a vacation benefit of 800 Euros was paid once a year, but only to pensioners whose monthly gross income was up to 2,500 Euros. Retirees who received disability pensions were excluded. This substitution was eventually abolished, in November 2012, for all pensioners, apart from those suffering from tetraplegia and paraplegia.[388]

Moreover, the Greek legislature imposed a solidarity contribution fee on pensioners receiving old-age pension benefits of more than 1,400 Euros.[389] This special contribution flows into a solidarity fund AKAGE (Asfalistiko Kefaleo Allilegiis Geneon – Social Insurance Capital of Generation Solidarity), which had already been established under Law No. 3655 of 2008.[390] In the explanatory report on the law, it was stated that the aim of this special levy is to address the deficits of all public pension funds

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384 *IMF*(2010) 10/110, p. 12.
385 Law No. 3845 of 2010.
386 See explanatory Report on the Law No. 3845 of 2010, EDKA 2010, p. 380-386.
387 Art. 3(10), Law No. 3845 of 2010; Art. 1, Law No. 3847 of 2010, Official Gazette of the Hellenic Republic 67/A/11.05.2010 (concerning public sector retirees) as amended in Art. 24, Law No. 4038 of 2012, Official Gazette of the Hellenic Republic 14/A/02.02.2012.
388 Law No. 4093 of 2012.
389 Art. 38, Law No. 3863 of 2010.
390 Law No. 3655 of 2008, Official Gazette of the Hellenic Republic 58/A/03.04.2008.

that provide the primary old-age pension benefits. The levy is charged on a gross primary pension income over 1,400 Euros a month, and the rates vary from 3 to 10 percent depending on the amount of old-age pension benefits received by the retiree.

Old-age pension benefits reductions were also introduced in 2011, namely in the second year of the financial and economic crisis. While the initial old-age pension benefits reductions introduced in 2010 aimed to avoid the solvency of the state and were more urgent, the reductions introduced in 2011 were undertaken to achieve the medium-term fiscal strategy (hereinafter: MTFS), set in the memoranda and council's decisions.[391] The Greek Parliament transferred the MTFS into domestic law, so that these fiscal targets find direct application in national law. In June 2011, the MTFS was adopted including measures which would ensure a further reduction in the deficit in the period 2012-2015 and combat the fiscal recession that was continuing.[392] One of the fiscal targets was the reduction of the general government deficit from 7.5 percent of GDP in 2011 to 2.6 percent of GDP in 2014.[393] The MTFS 2011-2015 was ratified by Law No. 3985 of 2011[394] and was developed by Law No. 3986 of 2011,[395] Law No. 4002 of 2011[396] and Law No. 4024 of 2011.[397] First of all, according to the explanatory report on the Law No. 3986 of 2011 "*Emergency Measures for the Implementation of the Medium-Term Fiscal Strategy 2012-2015*", the deep continuing economic recession and the loss of financial sovereignty constituted the main reasons of further reductions in the pension payments. The relevant law introduced the following measures: a. the solidarity contribution rate of Art. 38, Law No. 3863 of 2010 was in-

391 The MTFS include the medium term fiscal targets for the general governments, macroeconomic and fiscal forecasts contingency reports on the fiscal forecasts as well as annual expenditure ceilings for public entities and institutions over a defined period.

392 *Hellenic Republic*(2011a).

393 *Ibid.*

394 Law No. 3985 of 2011, Official Gazette of the Hellenic Republic 151/A/ 01.07.2011.

395 Law No. 3986 of 2011. Official Gazette of the Hellenic Republic 152/A/ 01.07.2011.

396 Law No. 4002 of 2011. Official Gazette of the Hellenic Republic 180/A/ 22.08.2011.

397 Law No. 4024 of 2011. Official Gazette of the Hellenic Republic 226/A/ 27.10.2011.

creased to 14 percent (Art. 44(10)); b. the pension income amounting to more than 1,700 Euros was reduced by 6 percent for pensioners under 60 years of age (Art. 44(11)); and c. solidarity contributions ranging from 3 to 10 percent of supplementary pensions over 300 Euros per month were introduced (Art. 44(13)). Secondly, Law No. 4002 of 2011 "*Reforming the public pension reforms, Regulations for the Economic Growth and Fiscal Consolidation. Matters of the Ministry of Finance, Culture and Tourism, and Labour and Social Security*" introduced retrospective pension reductions. More specifically, the solidarity contribution rate imposed on public sector pensioners was increased (Art. 2(13)), while the old-age pension benefits of civil servants were retrospectively reduced as follows: old-age pension benefits amounting to between 1,700.01 Euros and 2,300 Euros were reduced by 6 percent; old-age pension benefits amounting to between 2,300.01 Euros to 2,900 Euros were reduced by 8 percent; and old-age pension benefits amounting over 2,900.01 Euros were reduced by 10 percent (Art. 2(14)). Thirdly, Law No. 4024 of 2011 "*Pension Regulations, Uniform Payment Scale – Rank Scale, Labour Reserve and other Provisions for the Implementation of the Medium-Term Fiscal Strategy 2012-2015*" reduced by 20 percent the old-age pension benefits of former public sector employees receiving a monthly payment exceeding 1,200 Euros (Art. 1(10a)). Furthermore, pensioners below the age of 55 receiving over 1,000 Euros were faced with reductions of 40 percent (Art. 1(10a)). Aim of these reductions was to face the still emergent financial needs of the state and the economic and financial difficulties faced by the public pension funds.

Due to continuing economic recession, old-age pension benefits reductions were further introduced also in the third year of the crisis. In 2012, further old-age pension benefits reductions were introduced in order to implement the fiscal objectives of the Second Economic Adjustment Programme for Greece. The Second Economic Adjustment Programme was ratified by the Greek parliament by Law No 4046 of 2012.[398] The programme was developed through Law No. 4051 of 2012 „*Provisions for Pension Issues and other Urgent Provisions for the Application of the Memorandum of Understanding of Law No. 4046 of 2012*".[399] Aim of the re-

398 Law No. 4046 of 2012, Official Gazette of the Hellenic Republic 28/A/14.02.2012.

399 Law No. 4051 of 2012, Official Gazette of the Hellenic Republic 40/A/29.02.2012.

ductions was the public deficit to be reduced by 66 million Euros. According to the law, the old-age pension benefits of public sector pensioners amounting to over 1,300 Euros per month were to be reduced by 12 percent (Art. 1). However, the total sum of the primary pension benefits must not be less than 1,300 Euros. The supplementary pension benefits ranging from 1 Euro to 250 Euros were reduced by 10 percent, but never amounting to less than 200 Euros. The supplementary pension benefits ranging from 250.01 Euros until 300 Euros were reduced by 15 percent, but never amounted to less than 225 Euros, while supplementary pension benefits over 300.01 Euros were reduced by 20 percent but never amounted to less than 255 Euros. The disabled pension benefits were excluded from the above described provisions.

In November 2012, a MTFS for the period 2013-2016[400] was adopted by the Greek Parliament by Law No. 4093 of 2012 "*Ratification of Medium-Term Fiscal Strategy 2013-2016 – Urgent Regulations relating to the Implementation of Law No. 4046 of 2012 and the Medium-Term Fiscal Strategy of 2013-2016*".[401] The revised fiscal objectives of the MTFS 2013-2016 was the primary surplus of 4.5 percent in 2016.[402] To achieve this aim, included in the MTFS 2013-2016 was the introduction of further reductions in old-age pension benefits. More specifically, Law No. 4093 of 2012 reduced by 5 percent old-age pension benefits ranging between 1,000 Euros and 1,500 Euros per month; as well as introducing 10 percent reduction in old-age pension benefits ranging between 1,500.01 Euros and 2.000 Euro per month; and 20 percent reduction in old-age pension benefits amounting to over 3,000 Euros per month (Art. 1B.3 and IA.5). Pensioners suffering from tetraplegia and paraplegia were excluded.

Besides the reductions in the old-age pension benefits of current pensioners, their pension income has also been indirectly devalued by the direct and indirect increases in already existed taxes as well as the introduction of new emergency-taxes. For example the tax-free allowance was reduced and set 5,000 Euros for pensioners aged under 65 years of age and 9,000 Euros for those over 65 years of age.[403] Consequently, pensioners receiving 750 Euros in pension income per month respectively are obliged

400 *Hellenic Republic*(2012).
401 Law No. 4093 of 2012, Official Gazette of the Hellenic Republic 222/A/ 12.11.2012.
402 *Hellenic Republic*(2012).
403 Art. 38, Law No. 4024 of 2011.

to pay taxes. Furthermore, value added tax was raised from 19 percent to 23 percent and an extra solidarity tax was introduced concerning old-age pension benefits which amounted to over 12,000 Euros per year.[404] In addition, a special tax on buildings powered by electricity was introduced in 2012 and it was calculated according to the total surface area of the immovable property of the pensioner, its location, as well as the age of the building.[405]

D. Concluding Remarks

Reforming the Greek public pension system was top priority issue in the agenda of Greece's bailout plan. The Greek parliament, responding to the conditions of the financial facility assistance offered by the IMF and the Member States of the EMU, adopted pension reform bills that are far more radical than previous pension reforms. The relevant pension reforms bills introduced a fundamental change; namely, the establishment of a quasi-universal tax-financed basic pension and its distinction from the proportional earnings-related pension. The basic pension constitutes expression of social solidarity and redistributive justice while the proportional pension constitutes expression of the principle of equivalence between the paid contributions and the benefits. In this way the Greek public pension system is now structured in three pillars. The first pillar constitutes a basic pension which is financed by the state. The second pillar has a contributory character and is financed from the contributions, while the amount of the benefits is proportional to the paid contributions. The third pillar consists of the occupational and private pension benefits.

Additionally, the alarming projections regarding the sustainability of the Greek public pension system and public pension expenditures made necessary the introduction of parametric changes, so that the pension benefits' level will be reduced. The new statutory Greek pension system minimises the duration of the old-age pension benefits by increasing the retirement age without introducing in most cases transitional measures. Moreover, the pension reform bills of 2010 decrease the generosity of pension benefits by i.e. introducing stricter conditions for the calculation of

404 Art. 27, Law No. 3986 of 2011.

405 Art. 53, Law No. 4021 of 2011, Official Gazette of the Hellenic Republic 218/A/03.10.2011.

the pension benefits, stricter conditions of early retirement, longer required periods of pensionable service, strong linkage between retirement age with life expectancy rates as well as low accrual rates. Furthermore, the pension income is based on the average of earnings of the whole working career after the 1st of January 2011. As a result the initial projections on public pension expenditures have been revised, although to a lesser extent than expected,[406] while the highest increases in the average contributory period (+ 7.1 years) is observed in the case of Greece.[407]

In light of the fact that the above changes will take decades to become fully effective, the Greek state introduced additional reductions in old-age pension payments to decrease the public deficit in the short-term, resulting in lower retirement incomes of current pensioners. The national legislature reduced old-age pension benefits based on the basis of the amount of pensioners' last gross pension income without taking into consideration the level of the previous contributions as well as the taxable personal and household income. The latter led a change in the method of handling both highly and lowly paid pensioners and thus differences in the treatment of pensioners.

From the way in which the Greek public pension system is reformed appears to be obvious the strong influence of the financial crisis and the conditional financial assistance by the international creditors. First of all, this is because only after the financial crisis extremely retrogressive pension reforms were introduced. Secondly, the undertaken measures aim not only to minimise the public pension expenditures but also to face pre-existing problems. Namely, the introduced reforms established a new public pension structure aiming not only to decrease the public deficit through the reduction of the public pension expenditures, as this was advocated by the Troika, but also to create a sustainable PAYG system, in order to face the pre-existing financial adversities from the high ageing of the population, compounded by other high entitlement costs such as massive early retirement and favourable pension provisions for some privileged group of employees. Thirdly, it appears that the reformed pension bills had already been planned and placed in the drawer, while retrieved only after the crisis. This is obvious from that fact that the undertaken measures are in conformity with the international and European guidelines and objectives. The reforms included provisions in line with the normative European and international guidelines on pensions of

406 *EU-COM*(2015b), p. 105.
407 *Ibid,* pp. 96- 97.

the IMF, the OECD and the OMC,[408] presented in the previous chapter. For instance, in order to meet the objective of ensuring adequacy of the income received by pensioners, the Greek government adopted an almost universal tax-financed basic pension. Furthermore, other examples of the European and international influences on the reformed Greek public pension system was the reduction of the various public pension funds, which reduced the high fragmentation of the public pension system, as well as the change of the old defined-benefit system of the supplementary pension funds to a notional defined-contribution system. Moreover, the new legislation projected the introduction of a number of measures, to guarantee the long-term sustainability of the pension schemes, such as the increase in the normal as well as the early retirement age. In addition, it took into consideration population ageing by introducing an automatic adjustment mechanism linking pension age with the increase of life expectancy.

Last but not least, the third pillar of the Greek public pension system, which has a more saving character, was not developed and reformed in the crisis-period. However, the reduction of the pension benefits' level makes private saving much more necessary, taking into consideration that no necessary measures were introduced that could in fact compensate for the reduced pension benefits. The amount of the basic pension may not guarantee an adequate standard of living.[409] Profoundly, the above pension reforms will minimise the public pension expenditures in the short and long-term but at the same time they will lead to a low level of old-age pension benefits for current pensioners and for individuals with low average earnings and long breaks in their working career, possibly owing to a high unemployment rate. Therefore, certainly, the necessity of private saving will result over time, in a quite different structure of income in retirement, and thus resulting in a fundamental change.[410]

408 For more information about the compatibility of the Greek pension reforms with the OMC see *Diliagka*, *Dafni*, The Europeanisation of the Greek Public Pension System under the View of the Financial Crisis, contributed paper at the 12th Annual ESPAnet Conference, Oslo, 4th – 6th September 2014.

409 *Matsaganis / Leventi,* Basic Economic Studies 2011, p. 12.

410 *Schmähl*, in: *Becker / Böcken / Nußberger et al.* (eds.), Reformen des deutschen Sozial- Arbeitsrechts im Lichte supra- und internationaler Vorgaben, p. 45.