Greece

Greece: Pension system in 2020

Pensions are provided through a public scheme, where the pension is comprised of a non-earnings related part (the national pension) and a contributory pension. The future of the supplementary, auxiliary pensions is not modelled by the OECD.

Key indicators: Greece

		Greece	OECD
Average worker earnings (AW)	EUR	21 139	34 301
	USD	24 145	39 178
Public pension spending	% of GDP	15.5	7.7
Life expectancy	at birth	82.0	80.6
	at age 65	20.6	19.7
Population over age 65	% of working- age population	37.8	30.4

Qualifying conditions

The pension age is 67 for both men and women with at least 4 500 days of contributions (equivalent to 15 years). Insured persons with a contribution record of 12 000 working days (40 years) can retire with a full pension benefit at the age of 62. There are concessions for people who work in arduous or unhygienic occupations and for caretakers of disabled children or siblings. The minimum old-age pension requires 15 years' contributions.

Benefit calculation

National

The national pension is not earnings-related and is financed directly from the State budget. The minimum requirements are 15 years of insurance and 15 years of residence in Greece. The full amount of the national pension is EUR 384 and it corresponds to 20 years of insurance and 40 years of residence in Greece from the age of 15 until the age limit required for receiving the pension. The full amount is reduced by 2% for every year which falls short from 20 to 15 years of insurance (national pension for 15 years is EUR 345.60). That amount is reduced by 1/40 for every year of residence less than 40 years.

Earnings-related

The contributory pension, which is calculated depending on the years of insurance and on pensionable earnings during working life, specifically from 01.01.2002 till the date of the retirement application. There is a varying accrual rate from 0.77% for each year up to 15 years gradually increasing to 2.55% for the 36th to 40th year and beyond the 40th year is reduced to 0.5%. Past earnings are inflated with the change in the average annual Consumer Price Index of the Hellenic Statistical Authority for the period until 2024, and from 2025 onwards with the annual change in wages as determined by the aforementioned Authority.

The ceiling to pensionable earnings is EUR 6 500.00 per month.

Supplementary insurance is public and mandatory, managed on a pay-as-you-go basis. The supplementary pension is calculated under defined benefit system for insurance time until 31/12/2014 and under the NDC (Notional Defined Contribution) system from 01/01/2015 onwards. The 2020 reform incorporated the public supplementary pension fund (ETEAEP) in the fund of main pensions of e-EFKA, as an independent branch. The pension for those first insured after 01/01/2014 is under the NDC system. For those first insured before 31/12/2013, the pension is composed by two parts: the first one takes into account the insurance time until 31/12/2014; the accrual rate is 0.45% on pensionable earnings for each year. The second part takes into account the insurance time from 1/1/2015 onwards and is calculated under the NDC system. The conditions for receiving supplementary pension are the same as for the main pension.

Variant careers

Early retirement

Early retirement with reduced pension is possible from the age of 62 for both men and women with a reduction of 1/200 for each missing month until the age of 67.

Late retirement

It is possible to defer the pension.

Childcare

The non-contributory periods that can be regularised are based on the number of children (300 days can be purchased for the first child, 600 days for each subsequent child, up to a maximum of 1 500 days for 3 children). The above periods can be back purchased for the purposes of entitlement to a pension as well as for its calculation.

The conditions to be met in order to buy back the above periods are eligibility for old age pension under conditions valid from 1 January 2011 onwards and completion of at least 3 600 working days or 12 years of insurance.

Unemployment

For insured persons entitled to an old-age pension based on the stricter requirements that came into force from 1 January 2011, periods of involuntary unemployment can be used as a fictitious insurance period, for entitlement to a pension. The conditions to be met in order to buy back the above periods are eligibility for old age pension under conditions valid from 1 January 2011 onwards and completion of at least 3 600 working days or 12 years of insurance. The fictitious periods taken into account in order to qualify for pension cannot exceed seven years in total.

For self employed and independent professionals, periods of involuntary unemployment can also be used as a fictitious insurance period for the fulfilment of the minimum conditions for retirement. The fictitious periods taken into account in order to qualify for pension cannot exceed one year. Conditions for granting uunemployment benefit to employed persons are: at least 125 days of work during the 14 months that preceded the job loss or, at least, 200 days of work during the 2 years preceding the job loss for first time claimants. The last two months are excluded from the reference period. For first time claimants, an additional requirement of at least 80 days of work per year during the previous two years applies. Since 1 January 2014 there is a limit of 400 days in the previous four calendar years before the beginning of the unemployment benefit. Claimants are not entitled to unemployment benefit if they have already received 400 days of benefit in the past four years. If they have received less than 400 days they can claim for the remaining days of benefit. The unemployment benefit to self-employed and independent professionals is paid for a period of 3 to 9 months, provided that self-employed and independent professionals have at least three (3) years of insurance before the termination of their profession and have paid the monthly insurance contribution (10€). Earnings-related eligibility conditions are applied for the unemployment benefit to self-employed and independent professionals.

Self-employed

Before 2020, the contributions of the self-employed were linked to their income but from 1.1.2020 there are six insurance categories and each individual will choose annually one pension category according to which he/she will be insured for the upcoming year. In light of such scheme, the higher category one opts, the higher contributions will he/she pay monthly, which will result to higher pension amount in the future. The insured persons will be mandatorily subject to the same health insurance category. By default, the self-employed will be assigned to the lower category of monthly pension contribution equal to EUR 155 in 2021. Given the regular contribution rate of 20% this implies the contribution base of EUR 775.

As opposed to employees, the self-employed are not mandatory covered by the Auxiliary Pensions.

Personal income tax and social security contributions

Taxation of pensioners

There are no special tax allowances or credits for pensioners.

Taxation of pension income

Pension benefits are subject to general taxation rules. Certain exemptions exist for persons crippled in war, war victims and their families, blind persons and persons suffering from paraplegia.

Social security contributions paid by pensioners

From 1 August 2010 pensioners pay a Pensioner's Solidarity Contribution on a monthly basis. This is deducted from the pension benefit and depending on the size of the pension and range from 3% (for pension benefits from EUR 1 400.01 to EUR 1 700) to 14% for pension benefits above EUR 3 500.01).

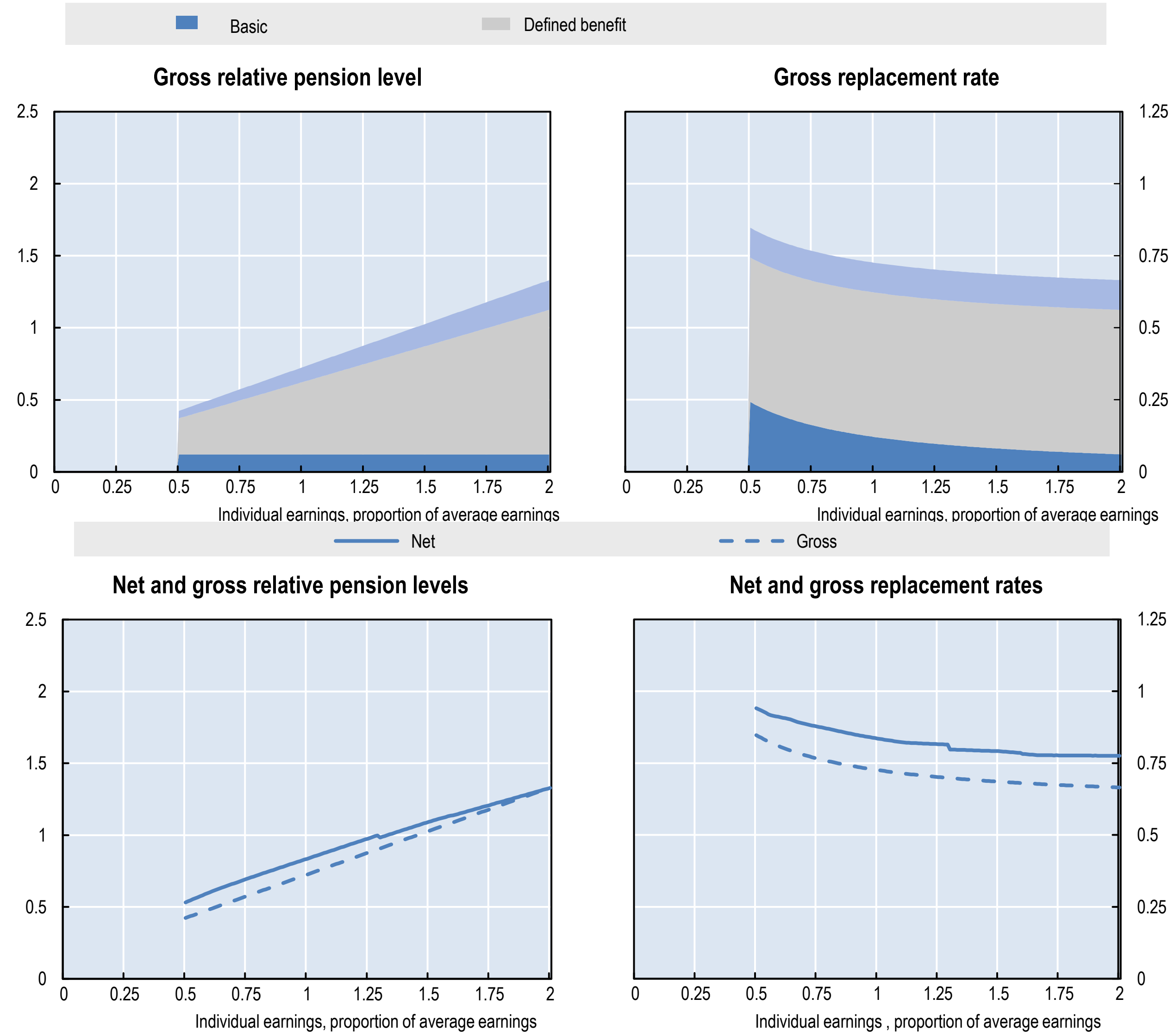
For pensioners who are younger than 60 years of age, there is an additional Social Solidarity Contribution, which is levied on monthly pensions exceeding €1,700.00, at a rate varying from 6% for pensions between €1,700.01 and €2,300.00 up to 10% for pensions exceeding €2,900.01

Pensioners pay 6% contributions for health care on their pension.

Pensioners also pay contributions according to general rules if they work. Also, certain pension reduction rules apply for pensioners who work, namely 30% reduction on the total payable pension.

The two above apply to supplementary pensions as well.

Pension modelling results: Greece in 2064 retirement at age 66



Men	Individual earnings, multiple of average					
Women (where different)	0.5	0.75	1	1.5	2	3
Gross relative pension level	42.4	57.5	72.6	102.8	133.1	188.6
(% average gross earnings)						
Net relative pension level	53.2	69.4	83.6	109.2	132.8	173.0
(% net average earnings)						
Gross replacement rate	84.7	76.6	72.6	68.6	66.5	62.9
(% individual gross earnings)						
Net replacement rate	94.1	87.8	83.6	79.2	77.5	76.4
(% individual net earnings)						
Gross pension wealth	15.6	14.1	13.4	12.6	12.2	11.6
(multiple of individual gross earnings)	*17.1*	*15.4*	*14.6*	*13.8*	*13.4*	*12.7*
Net pension wealth	17.3	16.1	15.4	14.6	14.3	14.1
(multiple of individual net earnings)	*18.9*	*17.7*	*16.8*	*15.9*	*15.6*	*15.4*

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equal 90%. Labour market entry occurs at age 22 in 2020. Tax system latest available: 2020.