


## **Reforms for the completion of the current programme and beyond**

### **Introduction**

This document presents a full summary of the reforms and legislative projects that the Government of Greece will undertake and implement under the terms of the February 20, 2015 extension of the MFAFA. It is presented to Greece's partners in order to complete the review of the current arrangement by the target date of the end of June 2015, so that Greece and her partners can proceed to launch a new partnership and a new model for development and growth in Greece. It marks the start of a new chapter for Greece that gives hope to the people, in particular the young and unemployed.



### **Pension reform.**

The 2010 and 2012 pension reforms did improve partly the sustainability of the pension system over the long term, which was fragmented, costly and ultimately accumulating unsustainable burdens for future generations. But further, more courageous steps are needed to complete these reforms, and to tackle the strains on the system caused by an economic crisis where contributions have fallen due to high levels of unemployment and spending pressures have mounted as many citizens opted to retire.

The authorities are committed to proceed with reforms in two phases. A first package of measures would be adopted immediately targeting an expected 1 percent of GDP in savings annually by 2016-17: this shall be achieved through measures removing exemptions by significantly tightening early retirement rules, increasing health contributions for pensioners and progressive phasing out the non-pension solidarity grant. To complete the package, the authorities will by September 2015 legislate further to establish a closer link between contribution and benefits and integrate funds. In designing these reforms, the government will ensure that the burden of adjustment is fair so that the most vulnerable households are protected whilst avoiding undue burdens on future generation, and that there is a clear link between contributions and entitlements so as to incentive declared work and longer working lives.

With these aims, the Authorities will:

- implement in full the 2010 pension reform law (3863/2010). The authorities will continue to implement the sustainability factors for supplementary and lump-sum pensions from the 2012 reform, pending the proposal of an alternative framework to achieve equivalent savings
- adopt legislation to create strong disincentives to early retirement, including by adjusting early retirement penalties and gradually eliminate grandfathering to statutory retirement age and early retirement pathways, applicable for everybody retiring after June 30, 2015. Through a decree to be implemented immediately, there will be provisions for the progressive adaptation of the early retirement rules to the limit of 67 years by 2025, while none of the vested rights will be affected. The possibility of withdrawal shall have its provision within the limits specified currently with a penalty for the retirement age extension period equivalent to 10 percentage points on top of the penalty of 6% proposed currently in favour of the social insurance fund granting the pension.
- integrate into ETEA all supplementary pension funds that fall under the ESA95 definition of General Government and ensure that, starting January 1, 2015, all supplementary pension funds are only financed by own contributions;
- better target social pensions by increasing OGA uninsured pension, and phase out the solidarity grant (EKAS) for all pensioners by end-December [2018];



- freeze monthly guaranteed contributory pension limits in nominal terms until 2021;
- provide to people retiring after 30 June 2015 the basic, guaranteed contributory and targeted pensions only at the attainment of the statutory normal retirement age of currently 67 years;
- increase the relatively low health contributions for pensioners from 4% to 6% on average and extend it to supplementary pensions;
- phase out all state-financed exemptions and harmonize contribution rules for all pension funds with the structure of contributions to IKA from 1 July 2015.

Moreover, the authorities drawing upon an actuarial study and in collaboration with the EU's Ageing Working Group, will legislate: by September 2015 to take effect from January 1, 2016 (i) specific design and parametric improvements to establish a close link between contributions and benefits; (ii) broaden and modernize the contribution and pension base for all self-employed, including by switching from notional to actual income, subject to minimum required contribution rules; (iii) revise and rationalize all different systems of basic, guaranteed contributory and targeted pension components, taking into account incentives to work and contribute; (iv) the main elements of a comprehensive SSFs consolidation, including any remaining harmonisation of contribution and benefit payment rules and procedures across all funds; (v) abolish all nuisance charges financing pensions and offset by reducing benefits or increasing contributions in specific funds to take effect from [to specify]; and (vi) harmonize pension benefit rules of the agricultural fund (OGA) with the rest of the pension system in a pro rata manner, unless OGA is merged into other funds.

The consolidation of social insurance funds will take place in two phases and over a period of three years. In 2015 the process will be activated to consolidate the social insurance funds under a single entity, and the first phase of their operational consolidation will have been completed by 31.12.2016. It will be sought to further reduce the operating costs combined with more effective management of fund resources including balancing the needs between better-off and poorer-off funds. The codification of the insurance law will be completed in the immediate future and will correspond to the new organisation of the new and more integrated social security system.