LOCKTON

Global People Solutions

Greece to introduce a new individual retirement account system for 2022

Posted on December 29, 2021 by Lockton Global Compliance

The Greek government recently passed legislation creating a mandatory individual supplemental retirement account program known as the Hellenic Auxiliary Pensions Defined Contribution Fund (TEKA).

The new funded Defined Contribution (DC) regime is intended to gradually replace the existing mandatory supplemental notional DC* regime known as the Unified Auxiliary Social Security and Lump Sum Benefits Fund (ETEAEP).

Individuals joining the workforce beginning 1 January 2022, will be required to be enrolled in the new TEKA system.

Background

Greece's pension system consists of the main national pension (EFKA) and a compulsory supplemental pension (ETEAEP), which will eventually be replaced by the TEKA system. The supplemental pension is linked to the national pension and shares most of its eligibility criteria.

The new law aims at increasing retirement savings for younger workers and eventually boosting Greece's economic growth.

Key details

While the TEKA regime will be mandatory for new joiners of the workforce, current members of ETEAEP who are under age 35 on 1 January 2022, will be allowed to join TEKA on a voluntary basis from 1 January 2023, to 31 December 2023. Members older than 35 on 1 January 2022, must remain in ETEAEP for the moment. That might change in the near future as TEKA is intended to eventually replace ETEAEP.

Contributions

The TEKA system will be financed at the same rate as the ETEAEP with a contribution of 3.25% of monthly earnings by both the employer and the employee. Contributions are capped at:

- EUR 6,500 per month until 31 December 2021
- EUR 6,630 per month from 1 January 2022

Contributions to the TEKA and ETEAEP are expected to decrease beginning 1 June 2022, from 3.25% to 3% of monthly earnings up to EUR 6,630 per month (exceptions may apply for certain occupations subject to forthcoming regulations).

TEKA members will have the opportunity to choose their investment and change their investment program by either increasing or reducing their investment risk every three years.

Unlike the notional DC system, in the new funded DC system contributions are tracked in each member's individual TEKA account, which earns a rate of return on investment recorded in the account.

Old age pension

Members with at least 15 years of contributions (from ETEAEP and/or TEKA), will be entitled at retirement age (age 67) to a lifetime annuity depending on their account balance. Members with less than 15 years of contributions will receive a lump sum amount equal to all contributions paid into the fund by both the employee and the employer (adjusted to inflation and not including investment returns).

Additional resource

Law 4826/2021: Insurance Reform for the New Generation

* *In notional accounts, the return that contributions earn is a notional one, set by the government, not*

the product of investment returns in the markets.

Not legal advice

Nothing in this publication should be construed as legal advice. Lockton may not be considered your legal counsel, and communications with attorneys in Lockton's Global People Solutions practice are not privileged under the attorney-client privilege.