Executive summary
The government of Greece is to create a single, Unified Social Security Institution (E.F.K.A.) from 1 January 2017. E.F.K.A will operate as a single administrative and financial organization, very similar to the major European Social Security Funds, and those insured by it will be subject to new and uniform social security rules and contributions and receive unified benefits.

The reform also increases the social security contributions rates and makes reductions in monthly pension payments. Important aspects of the new law are expected to be clarified at a later date by the Minister of Labour, Social Security and Social Solidarity.

Key features
To date there have been a number of social security institutions providing coverage for different categories of individual. E.F.K.A introduces a new unified system providing a variety of insurances. The main social security branches under the new Unified Social Security System are:

► National Pension
► Health care
► Auxiliary social security and Lump Sum Benefits.

Pension contributions
The overall main pension contribution rate of the employee and employer, subject to any special law provision, is set at 20% of employees’ remuneration of any kind, with the exception of special social benefits such as marriage, child birth, death and severe disability benefits. The share of contributions is 6.67% for employees and 13.33% for employers. However, the maximum amount subject to social security contributions is set at ten times the minimum basic wage for an unmarried employee over 25 years old, which is currently €5,860.80.

Employers’ obligations
The contributions must be declared in a statement by the employer under the existing legislation of the Social Insurance Institute – the Unified Social Security Fund of Employees (IKA-ETAM).

Transitional provisions
Until the publication of the new Law the main pension contribution rates will be annually adjusted gradually from 1 January 2017 onwards, so that as of 1 January 2020 these should be aligned with the respective rates set by the new legislation.

Health care contributions
As of 1 January 2017 the overall health care contribution is set at 7.10% and is shared by the employee at 2.55% and by the employer at 4.55%.

Transitional provisions
In cases where the health care contribution rate is higher or lower than the one provided above, it is equally adjusted yearly until 31 December 2019, so that as of 1 January 2020 it should be aligned with the respective rates set out by the new law.

The new Unified Auxiliary Social Security and Lump Sum Benefits Fund
With the new reform the current Unified Auxiliary Social Security Fund (E.T.E.A.) is renamed to Unified Auxiliary Social Security and Lump Sum Benefits Fund (E.T.E.A.E.P.) comprising the auxiliary and lump sum social security branches. More specific, the two branches cover the:

► Supplementary insurance sector
► Lump sum benefits sector

Auxiliary social security contributions
Generally, the auxiliary contributions will be changing over time. From 1 June 2016 until 31 May 2019, the monthly contribution to the new E.T.E.A. E.P. for all employees, insured before or after 1 January 1993, is set at 3.5% for the employee and 3.5% for the employer, calculated on the insurable earnings of the employee.

From 1 June 2019 to 31 May 2022 the contributions are set at 3.25% for the insured person and 3.25% for the employer calculated...
on the insurable earnings of the employee. However, after six years the monthly contribution returns to the rate applicable on 31 December 2015.

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Lump sum benefits sector contributions
As of 1 January 2017, the following categories are mandatorily subject to the lump sum benefits sector of the new E.T.E.A.E.P:

► Individuals subject to the social security of sectors, branches and welfare institutions that are incorporated into the unified E.T.E.A.E.P.

► Persons who are covered for the first time after the new reforms, and who are employed or become subject to the social security system under the general or special provisions of the E.T.E.A.E.P. and its newly incorporated branches.

For those insured as of 1 January 1993 and onwards, the contribution rate is set to 4%. The rate is calculated on the insurable earnings for employees.

Directorships
The following categories of individuals are also subject to social security contributions:

► Directors, general directors, appointed managing or joint directors, administrators of companies or partnerships, on the condition that they providing their services under a dependent employment contract. The relevant contribution rates are calculated on the total remuneration. Social security contributions are calculated on their remuneration and it is not clarified yet by the government whether the nominal cap of €5,860.80 for the calculation of social security contributions applies.

► Individuals appointed as members of the Board of Directors of an AE company (“Anonymos Etairia”) and receive remuneration. The relevant contribution rates are calculated on their lump sum remuneration.

A central registry for contributions
The new reform also provides the legal platform for the establishment of a central registry of persons and entities who are obliged to pay social security contributions and income tax. The registry will include and harmonize the registration process, but also validate and certify the payment of income tax and social security contributions.

Next steps
Employers should review how this social security reform might affect current and future social security liabilities.

In particular, employers should:

► Review the terms of planned assignments to understand the impact of this change on assignment costs.

► Review current and future payroll withholding processes to ensure the correct social security payments continue to be made following the new reform.

► Consider any communication to employees.

Review the impact the introduction of the reform will have on existing insurance coverage and assignment policies.