

El Salvador

Exchange rate: Currency is the US dollar (US\$).

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1953 and 1969.

Current law: 1996 (individual account), implemented in 1998; and 1996 (pension supervision), implemented in 1998.

Type of program: Mandatory individual account and social insurance system.

Note: A system of mandatory individual accounts was introduced in 1998. Workers entering the labor force after April 30, 1999, must join the new system. The social insurance system is being phased out.

Coverage

Mandatory individual account: All employees in the private and public sectors not covered under social insurance.

Voluntary coverage for self-employed persons, owners of small enterprises, and citizens of El Salvador residing abroad.

Social insurance: All insured persons who were older than age 55 (men) or age 50 (women) in 1998.

Voluntary coverage for those who were aged 36 or older in 1998.

Source of Funds

Mandatory individual account

Insured person: 6.25% of covered earnings.

The minimum earnings for contribution calculation purposes are equal to the legal monthly minimum wage.

The legal monthly minimum wage is US\$175.40.

The maximum earnings for contribution calculation purposes are US\$5,354.52.

Self-employed person: A voluntary contribution of 13% of declared covered earnings plus up to 2.7% of declared covered earnings for disability and survivor insurance and for administrative fees.

The minimum earnings for contribution calculation purposes are equal to the legal monthly minimum wage.

The legal monthly minimum wage is US\$175.40.

The maximum earnings for contribution calculation purposes are US\$5,354.52.

Employer: 4.05% of covered payroll plus up to 2.7% of covered payroll for disability and survivor insurance and for administrative fees.

The minimum earnings for contribution calculation purposes are equal to the legal monthly minimum wage.

The legal monthly minimum wage is US\$175.40.

The maximum earnings for contribution calculation purposes are US\$5,354.52.

Government: Subsidizes the cost of the guaranteed minimum pension.

Social insurance

Insured person: 7% of earnings.

Self-employed person: Not applicable.

Employer: 7% of payroll.

Government: Special subsidies as needed to finance the program. (The government finances an indexed bond for individuals covered by the mandatory individual account system who made contributions to the old social insurance system. The bond represents the value of the insured's contributions to the old social insurance system plus interest.)

Qualifying Conditions

Mandatory individual account

Old-age pension: Age 60 (men) or age 55 (women) with at least 25 years of contributions. Retirement is permitted before the normal retirement age if the accumulated capital and interest in the individual account is sufficient to provide a pension of at least 60% of the base salary and 160% of the minimum pension.

The base salary is equal to the insured's average earnings in the last 120 months.

The minimum monthly pension is US\$143.64.

Guaranteed minimum pension: Age 60 (men) or age 55 (women) with at least 25 years of contributions. Paid if the accumulated capital and interest in the individual account is insufficient to provide the minimum pension set by law and the insured has no other income.

Disability pension: The insured was actively contributing to an individual account before the disability began and had at least 6 months of contributions in the 12 months before the disability began; unemployed persons whose disability began in the 12-month period following the last contribution and had at least 6 months of contributions in the 12 months before the last contribution.

If none of the qualifying conditions are met, the insured receives a pension financed by the value of the accumulated capital plus accrued interest only.

The degree of loss in working capacity is assessed by the Disability Commission.

Guaranteed minimum pension: The insured had at least 10 years of contributions; if the disability is the result of a disease, 3 years of contributions in the 5 years before the disability began; if the disability is the result of an accident, the insured was actively contributing to an individual account before the disability began and had at least 6 months of contributions in the 12 months before the disability began. Paid if the accumulated capital and interest in the individual account is insufficient to provide the minimum pension set by law.

The minimum monthly pension is US\$143.64 for a disability of 66% or more; US\$100.55 a month for a partial disability.

Survivor pension: The insured was actively contributing to an individual account at the time of death and had at least 6 months of contributions in the 12 months before death; unemployed persons who died in the 12-month period following the last contribution and had at least 6 months of contributions in the 12 months before the last contribution.

Eligible survivors are the deceased's spouse or cohabiting partner, children younger than age 18 (age 24 if a student, no limit if disabled), and dependent parents.

Guaranteed minimum pension: The deceased had at least 10 years of contributions; if the death is the result of a disease, 3 years of contributions in the 5 years before the death; if the disability is the result of an accident, the insured was actively contributing to an individual account and had at least 6 months of contributions in the 12 months before the death. Paid if the accumulated capital and interest in the individual account is insufficient to provide the minimum pension set by law.

The minimum monthly pension is US\$143.64.

Social insurance

Old-age pension: Age 60 (men) or age 55 (women) with at least 25 years of contributions. There is no age requirement with at least 30 years of contributions.

Disability pension: The insured must be assessed with a disability, be younger than age 60 (men) or age 55 (women), and have at least 36 months of contributions, including at least 18 months in the 36 months before the disability began.

The degree of disability is assessed by the Disability Commission.

Constant-attendance supplement: Paid if the insured is assessed with a loss in working capacity of 66% or more and requires the constant attendance of others to perform daily functions.

Survivor pension: The deceased was a pensioner or had at least 5 years of contributions; 10 years if no contributions were made in the last 12 months before the death.

Eligible survivors are the widow who was married to the insured for at least 6 months, is pregnant or had a child with

the deceased, or is disabled; a female partner who cohabited with the deceased for the last 3 years, is pregnant or had a child with the deceased, or is disabled; a disabled widower; children younger than 18 (age 24 if a student, no limit if disabled); a dependent mother aged 55 or older; and a dependent father aged 60 or older.

Old-Age Benefits

Mandatory individual account

Old-age pension: At retirement, the insured may use the contributions plus accrued interest in the individual account in one of three ways: to make periodic withdrawals to guarantee income for the duration of the expected lifespan; to buy an annuity from a private insurance company; or a combination of both options. (The value of accrued rights under the social insurance system is combined with the individual account balance at retirement.)

Guaranteed minimum pension: If the pension is less than the minimum pension set by law, the government makes up the difference.

The minimum monthly pension is US\$143.64.

Social insurance

Old-age pension: The pension is 30% of the base salary for the first 3 years of contributions plus 1.5% for each additional year.

The base salary is equal to the insured's average earnings in the last 120 months.

The minimum monthly pension is US\$143.64.

The maximum monthly pension is 100% of the base salary.

Permanent Disability Benefits

Mandatory individual account

Disability pension: If assessed with a loss in working capacity of 66% or more, the pension is 70% of the base salary.

Partial disability: With an assessed loss in working capacity of 50% to 65%, the pension is 50% of the base salary.

The base salary is equal to the insured's average earnings in the last 120 months.

Guaranteed minimum pension: If the pension is less than the minimum pension set by law, disability insurance tops up the accumulated capital in the individual account to make up the difference.

The minimum monthly pension is US\$143.64 for a disability of 66% or more; US\$100.55 a month for a partial disability.

The minimum disability pension is replaced by the minimum old-age pension at the normal retirement age.

Social insurance

Disability pension: The pension is 30% of the base salary for the first 3 years of contributions plus 1.5% for each additional year.

The base salary is equal to the insured's average earnings in the last 120 months.

The minimum monthly pension is US\$143.64.

Constant-attendance supplement: 20% of the pension is paid.

The minimum disability pension is replaced by the minimum old-age pension at the normal retirement age.

Survivor Benefits

Mandatory individual account

Survivor pension: 50% of the pension the deceased received or would have been entitled to receive is paid to a spouse or partner with children (if there is no spouse or partner the pension is paid to orphans); 60% if there are no eligible children.

Orphan's pension: Each eligible child receives 25% of the pension deceased received or would have been entitled to receive.

Parent's pension: Each parent receives 20% of the pension the deceased received or would have been entitled to receive; 30% if there is only one surviving parent. In the absence of an eligible spouse or partner, each parent receives 40%; 80% if there is only one surviving parent.

Guaranteed minimum pension: If the pension is less than the minimum pension set by law, life insurance tops up the accumulated capital in the deceased's individual account to make up the difference.

The minimum monthly pension is US\$143.64.

All survivor benefits combined must not exceed 100% of the deceased's old-age pension.

Social insurance

Survivor pension: 50% of the deceased's pension is paid to a widow or a disabled widower.

Orphan's pension: Each eligible child receives 25% of the deceased's pension; 40% for a full orphan.

Other eligible survivors (in the absence of the above): 30% of the deceased's pension is paid to a mother aged 55 or older; 30% to a father aged 60 or older; 40% if there is only one surviving eligible parent.

Guaranteed minimum pension: US\$143.64 a month.

All survivor benefits combined must not exceed 100% of the deceased's old-age pension.

Administrative Organization

Mandatory individual account: Superintendent of Pensions (<http://www.spensiones.gob.sv>) provides general supervision.

Individual pension fund management companies (AFPs) administer individual accounts.

Social insurance: Superintendent of Pensions (<http://www.spensiones.gob.sv>) provides general supervision.

Supervised by a board of 12 directors, the Social Insurance Institute (<http://www.iss.gob.sv>) plans, manages, and administers the program.

Sickness and Maternity

Regulatory Framework

First law: 1949.

Current laws: 1953 and 1993.

Type of program: Social insurance system.

Coverage

Employed and self-employed persons in industry and commerce and pensioners.

Exclusions: Teachers and agricultural, household, and casual workers.

Source of Funds

Insured person: 3% of covered earnings. Pensioners contribute 7.8% of the old-age, disability, or survivor pension; or 6% of the work injury disability or survivor pension.

The minimum earnings for contribution calculation purposes are equal to the legal monthly minimum wage.

The legal monthly minimum wage is US\$175.40.

The maximum earnings for contribution calculation purposes are US\$685.71.

Self-employed person: 10.5% of declared income.

The minimum earnings for contribution calculation purposes are equal to the legal monthly minimum wage.

The legal monthly minimum wage is US\$175.40.

The maximum earnings for contribution calculation purposes are US\$685.71.

The self-employed person's contributions also finance work injury benefits.

Employer: 7.5% of covered payroll.

The minimum earnings for contribution calculation purposes are equal to the legal monthly minimum wage.

The legal monthly minimum wage is US\$175.40.

The maximum earnings for contribution calculation purposes are US\$685.71.

The employer's contributions also finance work injury benefits.

Government: An annual subsidy.

Qualifying Conditions

Cash sickness benefits: The insured is currently employed. There is no minimum qualifying period.

Cash maternity benefits: The insured must have at least 12 weeks of contributions in the 12 months before the expected date of childbirth; if unemployed, at least 8 weeks of contributions in the last 3 months.

Medical benefits: There is no minimum qualifying period if the insured is currently employed; if unemployed, at least 8 weeks of contributions in the last 3 months.

Sickness and Maternity Benefits

Sickness benefit: The daily benefit is 75% of average monthly earnings and is paid after a 3-day waiting period for up to 26 weeks for the same incapacity; may be extended for an additional 26 weeks.

Maternity benefit: The daily benefit is 75% of average earnings and is paid for up to 12 weeks; other benefits include milk (with a medical prescription) and a layette (clothing and other necessities for the newborn).

Workers' Medical Benefits

Benefits include complete medical and maternity care, hospitalization, medicine, auxiliary services for diagnosis and treatment, and dental care (except for cosmetic reasons). The unemployed receive medical benefits during the first 2 months of unemployment.

Dependents' Medical Benefits

The insured's wife receives prenatal and postnatal care, in-kind benefits, and medical and dental benefits. Children up to age 12 receive basic medical care.

Administrative Organization

Supervised by a board of 12 directors, the Social Insurance Institute (<http://www.issv.gob.sv>) plans, manages, and administers the program.

Social Insurance Institute operates its own clinics and hospitals.

Work Injury

Regulatory Framework

First law: 1949.

Current laws: 1953 and 1993.

Type of program: Social insurance system.

Coverage

Public- and private-sector employees and self-employed persons in industry and commerce.

Exclusions: Household, casual, and rural workers.

Source of Funds

Insured person: None.

Self-employed person: See source of funds under Sickness and Maternity, above.

Employer: See source of funds under Sickness and Maternity, above.

Government: See source of funds under Sickness and Maternity, above.

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period.

Temporary Disability Benefits

The benefit is 75% of the insured's average monthly earnings in the first 3 of the last 4 months. The benefit is paid from the day after the disability began for up to 52 weeks.

Permanent Disability Benefits

Permanent disability pension: With an assessed degree of disability of greater than 66%, the pension is 70% of the insured's average monthly earnings in the last year.

The minimum monthly pension is US\$80.00.

Constant-attendance supplement: Up to 50% of the pension is paid if the insured requires the constant attendance of others to perform daily functions.

Partial disability: If the assessed degree of disability is between 35% and 66%, a percentage of the full pension is paid according to the assessed degree of disability. If the assessed degree of disability is between 20% and 34%, a pension equal to double the amount of the permanent disability pension based on the assessed degree of disability is paid for up to 3 years.

Workers' Medical Benefits

Benefits include complete medical and maternity care, hospitalization, medicine, auxiliary services for diagnosis and treatment, and dental care (except for cosmetic reasons).

Survivor Benefits

Survivor pension: 60% of the deceased's pension is paid to a spouse.

Orphan's pension: 30% of the deceased's pension is paid for each child.

All survivor benefits combined must not exceed 100% of the deceased's pension.

Funeral grant: A lump sum of twice the deceased's average monthly salary is paid.

Administrative Organization

Supervised by a board of 12 directors, the Social Insurance Institute (<http://www.iss.gov.sv>) plans, manages, and administers the program.

Social Insurance Institute operates its own clinics and hospitals.