

El Salvador

Exchange rate: U.S.\$1.00 equals 8.75 colones.

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1953, implemented in 1969.

Current law: 1996 (mandatory private insurance), implemented in 1998.

Type of program: Social insurance and mandatory private insurance system.

Note: The 1996 law established a system of mandatory individual accounts. The social insurance system is closed to new entrants and will be phased out. Those who were younger than age 36 in 1997 transferred to the private insurance system; those who were aged 36 or older but younger than age 55 (men) or age 50 (women) could join voluntarily.

Coverage

Private insurance: All employees in the private, public, and municipal sectors not covered under social insurance.

Social insurance: All insured persons who, in January 1997, were over age 55 (men) or age 50 (women).

Source of Funds

Private insurance

Insured person: 3.25% of earnings, plus an additional amount for disability and survivor insurance and administrative fees.

Employer: 6.75% of earnings.

Government: A subsidy for the guaranteed minimum pension.

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

The maximum earnings for contribution purposes are equal to gross monthly earnings. Gross monthly earnings must not exceed the national public-sector maximum wage.

Social insurance

Insured person: 7% of earnings.

Employer: 7% of payroll.

Government: The government provides an indexed bond to individuals who switched to the private system. The bond represents the value of insured's contributions to the old social insurance system plus interest.

Qualifying Conditions

Private insurance

Old-age pension: Age 60 (men) or age 55 (women) with 25 years of contributions. There is no age requirement if the insured has 30 years of contributions. Retirement is also permitted if the pension equals at least 60% of basic earnings or 160% of the current minimum pension.

Disability pension: Assessed as disabled by the Disability Commission and was actively contributing prior to the onset of disability (in the case of a common accident) with 6 months of contributions in the 12 months before the onset of disability or with 10 years of contributions including 3 years out of the 5 years before the date in which the disability was first assessed.

Survivor pension: The insured was a pensioner or an active contributor prior to death.

Social insurance

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

Disability pension: Assessed as disabled by the Disability Commission with at least 36 months of contributions including 18 months in the 36 months prior to the onset of disability. Must be under age 60 (men) or age 55 (women).

Survivor pension: The insured was a pensioner or had 5 years of contributions.

Old-Age Benefits

Private insurance

Old-age pension: The pension is equal to the insured's contributions plus accrued interest. The value of the insured's contributions made under the social insurance system are provided as an indexed bond. At retirement, the insured may either make periodic withdrawals from the individual account to guarantee income for the duration of the expected lifespan or buy an annuity from a private insurance company, or use a combination of both.

Guaranteed minimum pension: The amount is adjusted annually according to changes to the average salary.

Social insurance

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

The base salary is equal to the average earnings of the last 120 months.

The minimum monthly pension is 700 colones.

The maximum pension is 100% of the base salary.

Permanent Disability Benefits

Private insurance

Disability pension: 70% of the base salary for total disability.

Partial disability: 50% of the base salary.

The base salary is equal to the average earnings of the last 120 months.

Social insurance

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

The base salary is equal to the average earnings of the last 120 months.

The minimum monthly pension is 700 colones.

Survivor Benefits

Private insurance

Survivor pension: 60% of the insured's pension is payable to a spouse or partner with no eligible children; 50% if there are eligible children (increased to 60% when children are no longer eligible for a pension).

Orphan's pension: 25% of the insured's pension is payable to each eligible child.

Parent's pension: 20% of the insured's pension is payable each to a father and mother (30% if only one surviving parent).

If there is no surviving spouse or partner, the benefit for children or parents is increased.

Social insurance

Survivor pension: 50% of the insured's pension is payable to a widow (married at least 6 months before the insured's death), a female partner (cohabiting for the last 3 years; except if pregnant, has a child, or is disabled), and a disabled widower.

Orphan's pension: 25% of the insured's pension to each child (40% if a full orphan).

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

Administrative Organization

Private insurance: Superintendent of Pensions provides general supervision.

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

Social insurance: Superintendent of Pensions provides general supervision.

Social Insurance Institute plans, manages, and administers the program.

Social Insurance Institute is supervised by a board of 12 directors including the Minister of Labor, representatives of other ministries, the Director of Social Insurance, and

representatives of management, labor, and other professional groups.

Sickness and Maternity

Regulatory Framework

First law: 1949.

Current law: 1953.

Type of program: Social insurance system. Cash and medical benefits.

Coverage

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

Exclusions: Agricultural, domestic, and casual employees.

Source of Funds

Insured person: 3% of earnings. The self-employed contribute 10.5% of earnings. Pensioners contribute 7.8% of old-age or disability pensions and 6% of work injury pensions.

Employer: 7.5% of payroll.

Government: An annual subsidy of 5 million colones (adjusted every 5 years).

The minimum monthly earnings for contribution and benefit purposes are 300 colones.

The maximum monthly earnings for contribution and benefit purposes are 6,000 colones.

All of the above contributions also finance work injury benefits.

Qualifying Conditions

Cash sickness benefits: There is no minimum qualifying period if in current employment; if unemployed, 8 weeks of contributions during the last 3 calendar months before the onset of illness.

Cash maternity benefits: Twelve weeks of contributions during the 12 calendar months before the expected date of childbirth.

Medical benefits: There is no minimum qualifying period if in current employment; if unemployed, 8 weeks of contributions during the last 4 months.

Sickness and Maternity Benefits

Sickness benefit: 75% of average monthly earnings, payable after a 3-day waiting period for up to 52 weeks for the same sickness.

Maternity benefit: 75% of average earnings, payable for up to 12 weeks.

Other benefits include a milk allowance for up to 12 weeks (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, medicines, auxiliary services for diagnosis and treatment, and dental care except for cosmetic reasons.

Dependents' Medical Benefits

The insured's wife receives prenatal and postnatal care and in-kind benefits and medical and dental benefits for sickness and accidents. Children up to age 6 receive ambulatory care and preventative dental care.

Administrative Organization

Social Insurance Institute plans, manages, and administers the program.

Social Insurance Institute is supervised by a board of 12 directors including the Minister of Labor, representatives of other ministries, the Director of Social Insurance, and representatives of management, labor, and other professional groups.

Social Insurance Institute operates its own clinics and hospitals and contracts services from the Ministry of Health and the private sector where required.

Work Injury

Regulatory Framework

First law: 1949.

Current law: 1953.

Type of program: Social insurance system.

Coverage

Employed and self-employed persons in industry and commerce and public service.

Exclusions: Domestic and casual employees and teachers.

Source of Funds

Insured 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

75% of average monthly earnings received during the first 3 of the last 4 months. The benefit is payable from the day after the onset of disability for up to 52 weeks.

Permanent Disability Benefits

Permanent disability pension: 70% of average monthly earnings during the last year, if the assessed degree of disability is greater than 66%.

The minimum monthly pension is 700 colones.

Dependent child allowance: 140 colones a month for each dependent child under age 16 (age 21 if a student) or disabled.

Constant-attendance supplement: Up to 50% of the pension.

Partial permanent disability: If the assessed degree of disability is between 35% and 66%, a percentage of the full pension in proportion to the assessed degree of loss of earning capacity. If the assessed degree of disability is between 20% and 35%, a temporary pension equal to double the amount of the permanent disability pension based on the assessed degree of disability is payable for up to 3 years.

Workers' Medical Benefits

Medical benefits are the same as those provided under Sickness and Maternity, above. Benefits include complete medical and maternity care, hospitalization, drugs, auxiliary services for diagnosis and treatment, and dental care except for cosmetic reasons.

Survivor Benefits

Survivor pension: 60% of the insured's pension is payable to a spouse.

Orphan's pension: 30% of the insured's pension for each child.

The maximum survivor pension is 100% of the insured's pension.

Funeral grant: Twice the average monthly salary.

Administrative Organization

Social Insurance Institute plans, manages, and administers the program.

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Social Insurance Institute operates its own clinics and hospitals and also contracts services from the Ministry of Health and the private sector where required.