

## Costa Rica

Exchange rate: US\$1.00 equals 516.70 colones.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1941 (social insurance fund).

**Current laws:** 1992 (pensions), 1995 (self-employed), 1995 (mandatory individual accounts), 2000 (workers' protection), and 2005 (old-age, disability, and survivors).

**Type of program:** Social insurance and mandatory individual account system.

Note: In 2000, a system of mandatory private individual accounts was introduced to complement the social insurance old-age pension program.

#### Coverage

**Social insurance:** Public- and private-sector employees and self-employed persons.

Special systems for teachers and employees of the justice department.

**Mandatory individual account:** Public- and private-sector employees.

#### Source of Funds

##### Social insurance

**Insured person:** 2.5% of gross earnings.

The minimum monthly earnings for contribution purposes are 101,000 colones.

There are no maximum earnings for contribution purposes.

**Self-employed person:** Between 4.75% and 7.25% of gross declared earnings.

The minimum monthly earnings for contribution purposes are 101,000 colones.

There are no maximum earnings for contribution purposes.

**Employer:** 4.75% of payroll.

The minimum monthly earnings for contribution purposes are 101,000 colones.

There are no maximum earnings for contribution purposes.

**Government:** 0.25% of the gross income of all workers.

##### Mandatory individual account

**Insured person:** 1% of earnings, plus up to a maximum of 0.19% of gross earnings for administrative fees.

**Self-employed person:** Not applicable.

**Employer:** 3.25 of payroll.

**Government:** None.

### Qualifying Conditions

#### Old-age pension

**Old-age pension (social insurance):** Age 61 and 11 months (men) with at least 300 months of contributions or age 59 and 11 months (women) with at least 300 months of contributions.

Retirement from covered employment is not necessary, except for state employees.

The old-age pension is payable abroad.

**Reduced old-age pension:** Age 65 with at least 15 years of contributions.

**Deferred pension:** A deferred pension is possible.

**Old-age pension (mandatory individual account):** Age 61 and 11 months (men) or age 59 and 11 months (women). The insured must also submit proof of eligibility for benefits under the social insurance program.

**Old-age benefit (noncontributory):** See Family Allowances, below.

**Disability pension (social insurance):** The insured must be assessed with a loss of 2/3 of normal earning capacity. The total number of required contributions varies by age: the minimum number of required monthly contributions for an insured person up to age 24 is 12; the maximum number of required contributions for an insured person between ages 52 and 65 is 120.

The disability pension is payable abroad.

**Disability grant (social insurance):** The insured must be assessed with a loss of 2/3 of normal earning capacity and have made at least 60 contributions.

**Disability benefit (noncontributory):** See Family Allowances, below.

**Survivor pension (social insurance):** The deceased was eligible for the old-age pension or disability pension, had made 12 contributions in the last 24 months, or had made a total of 180 contributions.

**Survivor settlement:** The deceased had paid at least 12 contributions but did not satisfy the other qualifying conditions for the survivor pension.

**Survivor benefit (noncontributory):** See Family Allowances, below.

### Old-Age Benefits

#### Old-age pension

**Old-age pension (social insurance):** The pension is based on the length of the total contribution period and average earnings in the last 240 months.

Deferred pension: An increment is paid to insured persons who retire after the normal retirement age.

Earnings adjustment: Earnings are adjusted according to changes in the consumer price index.

The basic benefit is increased by 0.0835% of average earnings for each month of contributions exceeding 240 months, plus an increment of 1.6% of the pension for each year exceeding 20 years.

The minimum monthly pension is 65,000 colones; if the calculated pension amount is lower, a lump sum is paid.

The maximum monthly pension is 933,156 colones.

Deferred pension: The pension is increased by 0.133% of average earnings for each month of deferred retirement beyond the normal pensionable age.

The maximum deferred pension is 1 million colones (November 2005).

Schedule of payments: Thirteen payments a year.

Benefit adjustment: Benefits are adjusted twice a year, in January and July, according to changes in the cost of living.

*Old-age pension (mandatory individual account):* The value of the pension depends on the insured's contributions plus accrued interest. The insured can choose to draw down the accumulated capital in programmed periodic withdrawals or to purchase an annuity at retirement. In most cases, the withdrawal of funds before retirement is not permitted.

Deferred pension: The value of the pension depends on the insured's contributions plus accrued interest.

**Old-age benefit (noncontributory):** See Family Allowances, below.

### **Permanent Disability Benefits**

**Disability pension (social insurance):** The pension is equal to 60% of average earnings.

Average earnings are based on the last 240 months' earnings.

The basic benefit is increased by 0.0835% of average earnings for each month of contributions exceeding 240 months.

The minimum monthly pension is 65,000 colones; if the computed pension amount is lower, a lump sum is paid.

The maximum monthly pension is 933,156 colones; may be higher if the insured has deferred retirement.

Schedule of payments: Thirteen payments a year.

**Disability grant (social insurance):** A lump sum is paid equal to 7 months' average earnings.

Benefit adjustment: Benefits are adjusted twice a year, in January and July, according to changes in the cost of living.

**Disability benefit (noncontributory):** See Family Allowances, below.

### **Survivor Benefits**

**Survivor pension (social insurance):** A widow(er) or partner younger than age 50 receives 50% of the deceased's pension; 60% if aged 50 or older but younger than age 60; 70% if aged 60 or older or disabled.

**Orphan's pension (social insurance):** Each orphan younger than age 18 (age 25 if a student) or disabled receives 30% of the deceased's pension; 60% for a full orphan.

**Other eligible survivors (social insurance):** Dependent parents and dependent brothers and sisters receive 20% of the deceased's pension each; dependents older than age 55 receive 60% of the deceased's pension each.

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

Benefit adjustment: Benefits are adjusted twice a year, in January and July, according to changes in the cost of living.

**Survivor settlement:** A lump sum is paid equal to 1/12 of the deceased's average monthly earnings for each month of coverage. The settlement must be no less than the minimum monthly old-age pension.

**Survivor benefit (noncontributory):** See Family Allowances, below.

### **Administrative Organization**

**Social insurance:** Directed by an executive president and a nine-member board, the Costa Rican Social Insurance Fund (<http://www.ccss.sa.cr>) administers the program.

State auditor supervises the financial operations of the fund.

**Mandatory individual account:** Superintendent of Pensions (<http://www.supen.fi.cr>) regulates and supervises pension operators and service providers.

National Council for the Supervision of the Financial System provides regulatory oversight.

Pension operators (OPCs) manage the individual accounts.

### **Sickness and Maternity**

#### **Regulatory Framework**

**First laws:** 1941 and 1943.

**Current laws:** 1961; 1973 (health); and 1993 (social insurance), implemented in 1997.

**Type of program:** Social insurance system.

#### **Coverage**

**Cash sickness benefits:** Employed persons, including self-employed persons, indigent persons, prisoners, and pensioners.

**Cash maternity benefits:** Employed persons, including self-employed persons, indigent persons, prisoners, and pensioners.

**Medical benefits:** All persons residing in Costa Rica; international agreements provide emergency medical care for visitors to the country.

### **Source of Funds**

**Insured person:** 5.5% of gross earnings. Pensioners contribute 5% of the pension (plus a subsidy financed by the Social Insurance Fund equal to 8.75% of the pension).

The minimum earnings for contribution purposes are 88,847 colones.

**Self-employed person:** Between 4.75% and 7.75% of declared earnings.

The minimum earnings for contribution purposes are 88,847 colones.

**Employer:** 9.25% of payroll. (The total cost of maternity benefits is split evenly between the employer and the Social Insurance Fund.)

**Government:** 0.25% of total covered earnings.

### **Qualifying Conditions**

**Cash sickness benefits:** The insured must have contributed in the month before the incapacity began and be insured when the incapacity began.

**Cash maternity benefits and maternity care:** The insured must have at least 26 weeks of contributions in the last 52 weeks; the wife of an insured man is eligible for maternity care if the insured contributed in the month before the date of childbirth.

**Medical benefits:** Must be insured.

### **Sickness and Maternity Benefits**

**Sickness benefit:** The benefit is equal to 60% of the insured's earnings in the last 3 months and is paid after a 3-day waiting period for up to 52 weeks; may be extended in special cases.

**Maternity benefit:** The benefit is equal to 50% of the insured's earnings and is paid for 30 days before and 90 days after the expected date of childbirth.

**Funeral grant:** 80,000 colones is paid for the funeral of the insured or his or her spouse or partner.

### **Workers' Medical Benefits**

Medical services are normally provided directly to patients through the medical facilities of the Social Insurance Fund. Benefits include general, specialist, and maternity care; hospitalization; medicines; dental, auditory, and limited optometry services; and appliances (at a reduced cost).

### **Dependents' Medical Benefits**

Medical services are normally provided directly to patients through the medical facilities of the Social Insurance Fund. Benefits include general, specialist, and maternity care; hospitalization; medicines; dental, auditory, and limited optometry services; and appliances (at a reduced cost).

### **Administrative Organization**

Costa Rican Social Insurance Fund (<http://www.ccss.sa.cr>) administers the program.

Costa Rican Social Insurance Fund owns and operates 29 hospitals and 152 clinics and is gradually extending jurisdiction over other hospitals and clinics.

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### **Work Injury**

#### **Regulatory Framework**

**First law:** 1925.

**Current law:** 1982 (labor code).

**Type of program:** Employer-liability system, involving compulsory and voluntary insurance with a public carrier.

#### **Coverage**

Employed persons.

#### **Source of Funds**

**Insured person:** None.

**Self-employed person:** Not applicable.

**Employer:** The total cost is met through insurance premiums that vary according to the assessed degree of risk.

**Government:** None.

#### **Qualifying Conditions**

**Work injury benefits:** There is no minimum qualifying period.

#### **Temporary Disability Benefits**

The benefit is equal to 75% of the insured's daily earnings for the first 45 days; thereafter, 100% of the legal minimum wage plus 75% of the insured's earnings that exceed this amount. The benefit is paid from the date the disability began for up to 2 years.

The minimum benefit is equal to the legal minimum wage at the time disability began.

#### **Permanent Disability Benefits**

**Permanent disability pension:** For an assessed degree of disability of more than 67% (total disability), the monthly pension is equal to 100% of the minimum wage plus 90% of the insured's earnings that exceed this amount.

Constant-attendance allowance: 78,275 colones is paid for a total permanent disability; an additional 44,547 colones is paid for a severe disability.

Grants may be awarded to disabled insured persons in order to purchase, rent, or modify a house.

Partial disability: If the assessed degree of disability is between 50% and 67%, the benefit is equal to 67% of earnings and is paid for up to 10 years. If the assessed degree of disability is between 0.5% and 49%, the benefit is equal to the assessed degree of disability times annual earnings and is paid for up to 5 years. The benefit may be extended for additional 5-year periods on a means-tested basis.

### **Workers' Medical Benefits**

Benefits include medical and surgical care, hospitalization, medicines, appliances, and rehabilitation.

### **Survivor Benefits**

**Survivor pension:** 40% of the deceased's earnings is paid to a widow or to a disabled widower. The pension is paid for 10 years; may be extended for additional 5-year periods in special cases.

The maximum widow(er) pension is equal to 40% of the deceased's earnings; 30% if there are other eligible dependents.

**Orphan's pension:** 15% to 40% of the deceased's earnings is paid for up to three orphans younger than age 18 (age 25 if a student, no limit if disabled).

**Other eligible survivors:** 20% of the deceased's earnings is paid to the deceased's mother (30% if there are no dependent children) for a period of 10 years. A pension is also paid to a dependent father or other dependent adults, including those aged 60 or older and unable to work.

All survivor benefits combined must not exceed 75% of the deceased's earnings.

**Funeral grant:** 75,000 colones, plus transportation costs (15,000 colones if the death occurred in Costa Rica; 60,000 colones if the death occurred abroad), is paid.

### **Administrative Organization**

Ministry of Labor and Social Security (<http://www.ministrabajo.go.cr>) provides general supervision.

National Insurance Institute administers the program.

### **Unemployment**

#### **Regulatory Framework**

No statutory benefits are provided.

Labor law requires employers to contribute 1.5% of payroll to finance a mandatory severance pay scheme.

### **Family Allowances**

#### **Regulatory Framework**

**First and current law:** 1974 (family allowances and social development).

**Type of program:** Social assistance system.

#### **Coverage**

Indigent persons who are not entitled to a contributory pension.

#### **Source of Funds**

**Insured person:** None.

**Self-employed person:** None.

**Employer:** None.

**Government:** The total cost.

#### **Qualifying Conditions**

**Family allowances (means-tested):** Allowances are paid to persons older than age 65, persons living below the poverty line, disabled persons, widows with dependents younger than age 18 or disabled, widows older than age 50 without dependents, and orphans younger than age 18.

Earnings test: Family or individual income is less than the basic food basket defined by the government.

#### **Family Allowance Benefits**

**Family allowances (means-tested):** The monthly pension is 50,000 colones. The pension is increased by 10% for 1 dependent, 20% for 2 dependents, and 30% for 3 dependents or more.

Schedule of payments: Thirteen payments a year.

#### **Administrative Organization**

Ministry of Labor and Social Security (<http://www.ministrabajo.go.cr>) provides general supervision.

Social Development and Family Allowances Fund directs the program.

Directed by an executive president and a nine-member board, the Costa Rican Social Insurance Fund (<http://www.ccss.sa.cr>) administers the program.