**Iceland**

Exchange rate: U.S.$1.00 equals 102.81 Icelandic kronur (IKr).

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First laws:** 1909 and 1980.

**Current laws:** 1993 (social security) and 1997 (general pension funds).

**Type of program:** Dual universal and mandatory occupational pension systems.

#### Coverage

**Universal pension:** All residents.

**Occupational pension:** All employees and self-employed persons.

#### Source of Funds

**Insured person**

**Universal pension:** None.

**Occupational pension:** 4% of wages; self-employed persons contribute 10% of earnings.

**Employer**

**Universal pension:** A social security contribution of 5.83% is imposed on all remuneration paid for employment and for the presumptive income of the self-employed. (Presumptive income is employment income comparable with the remuneration one would receive if similarly employed by an unrelated person.)

**Occupational pension:** The contribution is 6% of employee’s wages.

**Government**

**Universal pension:** Remaining costs. The universal pension contributions also finance benefits for maternity/paternity and work injury.

**Occupational pension:** None.

#### Qualifying Conditions

**Old-age pension**

**Universal:** Age 67, with a minimum 3 years’ residency in Iceland between ages 16 and 66 (40 years residency for a full pension) and annual income below a certain ceiling. Payable abroad if an agreement on social security has been implemented.

**Occupational:** The retirement age is 67 years for private-sector employees and 65 years for public-sector employees.

**Disability pension**

**Universal:** Between ages 16 and 66, 3 years’ residency in Iceland before submitting application, permanent disability assessed at a minimum of 75% as a result of a medically recognised disease or disability and annual income below a certain ceiling. Payable abroad if an agreement on social security has been implemented.

**Occupational:** Loss in earnings capacity of 50% or more, at least 2 years of contributions, and a loss of income due to the reduction in earning capacity.

**Survivor pension**

**Universal:** A child pension payable to an orphan, or to a parent, with 3 years’ residency in Iceland.

**Occupational:** Surviving spouse’s and orphan’s pensions are paid if the deceased made contributions for at least 24 months of the 36 months prior to death or was receiving an old-age or disability pension at the time of death. Eligible orphans are defined as children up to age 18.

#### Old-Age Benefits

**Old-age pension (universal):** The basic pension for a single person is IKr 19,990 a month. The benefit is reduced when annual income, excluding supplementary pension from pension funds, exceeds IKr 1,296,060; benefit is withdrawn when income exceeds IKr 2,095,660.

Pension supplement: The supplement for a single person is IKr 34,372 a month. The supplement is reduced when annual income exceeds IKr 415,894; supplement is withdrawn when income exceeds IKr 1,332,480.

Additional pension supplement: The additional pension supplement for a single person is IKr 15,257 a month. The supplement is reduced if insured has other income and is withdrawn when annual income exceeds IKr 273,260.

Maximum pension: The full pension is awarded for 40 years’ residency; 3 years’ residency gives entitlement to 3/40 of the full amount.

Different amounts apply for married or cohabiting couples.

Supplement for children: IKr 15,076 per month for each child under age 18.

Other means-tested allowances: Means-tested allowances contribute toward certain living expenses such as housing and medicine costs.

Benefit adjustment: Benefits are adjusted annually according to the current state budget for changes in wage trends and adjusted at least to the cost-of-living index.

**Old-age pension (occupational):** A minimum retirement pension of at least 56% of lifetime average salary for a contribution period of 40 years (equivalent to 1.4% of average lifetime salary per contribution year) must be provided until death.

Benefit adjustment: Benefits must be, as a minimum, indexed to the consumer price index.
**Permanent Disability Benefits**

**Disability pension (universal):** The basic pension for a single person is IKr 19,990 a month. The pension is reduced when annual income, excluding supplementary pension from pension funds, exceeds IKr 1,320,709; pension is withdrawn when income exceeds IKr 2,280,228.

Pension supplement: The pension supplement for a single person is IKr 35,334 a month. The supplement is reduced when annual income exceeds IKr 429,427; supplement is withdrawn when income exceeds IKr 1,371,667.

Additional pension supplement: The additional supplement for a single person is IKr 15,257 a month. The additional supplement is reduced if in receipt of other income and is withdrawn when annual income exceeds IKr 273,260.

Invalidity allowance: The allowance payable for a disability assessed at 50% to 74% is IKr 14,993 a month. Entitlement to a full pension is based on 40 years residency; 3 years’ residency gives entitlement to 3/40 of the full amount. Assumed years are taken into account up to age 67.

Different amounts apply for married or cohabiting couples.

Supplement for children: IKr 15,076 a month for each child under age 18; this amount is doubled if both parents are disabled.

Other means-tested allowances: Means-tested allowances contribute toward certain living expenses such as housing and medicine costs.

Benefits adjustment: Benefits are adjusted annually according to the current state budget for changes in wage trends and adjusted at least to the cost-of-living index.

**Disability pension (occupational):** The pension is calculated according to the assessed level of incapacity and the number of accrued pension points.

Supplement for children: IKr 6,416 a month per child for active members.

Benefit adjustment: Benefits are indexed to the consumer price index.

**Survivor Benefits**

**Survivor pension (universal):** The child pension is awarded at IKr 15,076 a month for each orphan under age 18. The value of the award is doubled for full orphans.

Benefits adjustment: Benefits are adjusted annually according to the current state budget for changes in wage trends and adjusted at least to the cost-of-living index.

**Survivor pension (occupational):** The deceased person must have been receiving a pension from the fund at the time of death or have paid contributions for a certain period prior to death. The survivor pension is equal to 50% of the potential disability pension to which the pension fund member would have been entitled in the case of full disability. The pension is paid for 24 months; there is no time limit for cases in which the spouse supports a child under age 18 or if the spouse is at least 50% disabled and under age 67.

**Orphan’s pension:** Pensions are paid to orphans up to age 18. The pension is IKr 9,592 a month per orphan in the case of a deceased pension fund member and IKr 7,034 in the case of a deceased disability pensioner.

Benefits adjustment: Benefits are indexed to the consumer price index.

**Administrative Organization**

**Universal pensions:** Ministry of Health and Social Security provides general supervision.

State Social Security Institute administers the programs through local offices.

A board elected by Parliament and the board’s director manages the programs.

**Occupational pensions:** Ministry of Finance provides general supervision. Administration is provided by 56 independent pension funds.

**Sickness and Maternity**

**Regulatory Framework**

**First law:** 1936 (social security), 1975 (maternity/paternity leave and benefits), and 1973 (health service).

**Current laws:** 1993 (social security), 2000 (maternity and paternity leave and benefits), and 1990 (health service).

**Type of program:** Dual universal and social insurance systems.

**Coverage**

**Cash sickness benefit:** Employed and self-employed residents.

**Cash maternity benefits:** Employed and self-employed persons and resident parents.

**Medical benefits:** All residents.

**Source of Funds**

**Insured person:** None.

**Employer:** Cash sickness and medical benefits, none. Cash maternity/paternity benefits, see universal pension contributions under Old Age, Disability, and Survivors, above.

**Government:** Total cost of cash sickness and medical benefits. Remaining costs for cash maternity/paternity benefits.

**Qualifying Conditions**

**Sickness benefit:** Aged 16 or older, not receiving old-age or disability benefits, incapacity for work due to sickness for at least 21 days, gainful employment in Iceland has ceased, or wages have ceased.
Maternity benefits: For both parents, active participation in the domestic labor market for 6 consecutive months prior to the first day of parental leave.

Maternity/paternity grants: Twelve months’ residency prior to the expected date of childbirth for new residents.

Medical benefits: Six months’ residency for new residents.

Sickness and Maternity Benefits

Sickness benefit: Statutory minimum of IKr 796 per day for persons who have to give up full-time gainful employment; IKr 398 for persons who have to give up at least half-time employment. Benefits are payable after a 15-day waiting period provided that the incapacity has lasted at least 21 days and income has ceased. The duration of benefits is 52 weeks in any one 24-month period.

Daily supplement for dependent children: A supplement of IKr 217 is awarded for each child under age 18.

Collective agreements provide for continued payment of wages and salaries for a certain period depending on agreements, in which case cash benefits are not granted until wages have ceased.

Maternity benefits: Parental benefit entitlements exist for both parents. For employees and the self-employed, the benefit is 80% of average wages earned or the calculated remuneration during a 12-month consecutive period ending 2 months prior to the first day of the parental leave.

Minimum benefit: If employed between 25% and 49%, the minimum benefit is IKr 57,057; if employed between 50% and 100%, the minimum benefit is IKr 79,077.

Maternity/paternity grants: The award for parents who are in less than 25% employment or who are nonactive is IKr 38,015 a month. Payments made to parents attending full-time education programs are IKr 85,798 a month.

Workers’ Medical Benefits

Medical benefits: A minimum fee is necessary for a doctor’s consultation. Hospitalization in a ward of a public hospital is free of charge. Free medicine is provided for some chronic diseases; for other medicines, the insured pays a minimum fee. In-patient care in a maternity ward is free of charge. A minimum fee is paid for X-rays and travel costs. For dental care, children up to age 15 get a 75% refund, children age 16 receive 50%, and pensioners receive a 50% to 100% refund (subject to an income test).

Dependent’s Medical Benefits

Medical benefits for dependents: Same as for family head.

Administrative Organization

Ministry of Health and Social Security and Ministry of Social Affairs provide general supervision.
Child’s supplement: IKr 15,076 a month for each child under age 18 maintained by the beneficiary at the time of the injury. If disability is assessed at 75% or more, a supplement is also paid for children maintained by the beneficiary beyond age 18.

Other means-tested allowances: Means-tested allowances contribute toward certain living expenses such as housing and medicine costs.

Workers’ Medical Benefits

Medical benefits: Necessary care is provided, including specialist services and hospitalization.

Survivor Benefits

Survivor pension: If an injury results in death within 2 years of the injury occurrence, the surviving spouse receives IKr 22,616 a month for 8 years.

Orphan’s pension: IKr 15,076 a month for each orphan under age 18; the value of the award is doubled for full orphans. Children older than age 16 who, because of a disability, were maintained by the deceased when the injury occurred receive a benefit of between IKr 282,627 and IKr 847,881, depending on the extent of support needed.

A lump-sum payment of IKr 395,680 is paid to surviving children of the deceased when there are no other surviving relatives or, otherwise, to the estate.

Administrative Organization

Ministry of Health and Social Security provides general supervision.

State Social Security Institute administers benefits through local offices.

Unemployment

Regulatory Framework

First law: 1956.


Type of program: Social insurance system.

Coverage

Employed persons and qualifying self-employed persons.

Source of Funds

Insured person: None.

Employer: 1.15% of the payroll.

Government: None.

Qualifying Conditions

Unemployment benefits: Aged 16 through 69 years and resident in Iceland; a minimum of 10 weeks of insurable and full employment in the previous 12 months; registered at an employment office and actively seeking, and available for, work; unemployed for at least 3 days before registration. For continuing entitlement, registration is required once every 2 weeks at the employment agency.

Unemployment Benefits

Unemployment benefit: The maximum benefit is IKr 3,404 a day. The minimum benefit, after 10 weeks of full employment, is IKr 851 a day. Benefits are reduced proportionally in cases of part-time work.

Daily supplement for children: A supplement equal to 4% of the full benefit is awarded for each child under age 18.

Administrative Organization

Ministry of Social Affairs provides general supervision.

Directorate of Labor administers the Unemployment Insurance Fund and the employment agencies.

Family Allowances

Regulatory Framework

First law: 1946.


Type of program: Universal system.

Responsibility for the program has been transferred from social security system to the tax system.

Coverage

Resident children and parents or persons responsible for the support of the children.

Source of Funds

Insured person: None.

Employer: None.

Government: Total cost.

Qualifying Conditions

Child must be under age 16 and resident in Iceland and supported by those who are subject to unlimited tax liability in Iceland according to the tax law.
**Family Allowance Benefits**

**Child benefit:** The benefit is assessed and paid on the basis of the previous year’s income. Advance payments are made on the first day of February and the first day of May each year.

The annual child benefit award for the 2002 assessment period is IKr 34,474 for children under age 7 at the end of the 2001 income year. Payments are not reduced according to the taxable income of the parents.

Supplement: In addition, married parents or cohabiting parents receive a supplement of IKr 117,031 for the first child and IKr 139,304 for the second child and additional children. Single parents receive a supplement of IKr 194,921 for the first child and IKr 199,949 for the second child and additional children.

The benefits are granted as a tax reduction. Benefits are reduced according to certain rules when taxable income exceeds IKr 1,656,727 (married and cohabiting parents) or IKr 677,364 (single parents).

**Administrative Organization**

Ministry of Finance provides general supervision.

Tax authorities.