

## El Salvador

Exchange rate: Uses the US dollar (US\$).

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1953, implemented in 1969.

**Current law:** 1996 (individual account), implemented in 1998.

**Type of program:** Mandatory individual account and social 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

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

Voluntary coverage for the self-employed.

**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:** 3.25% of earnings, plus up to a maximum of 1.28% of earnings for disability and survivor insurance and up to a maximum of 1.71% of earnings for administrative fees.

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage. (US\$151.20 in the manufacturing for export sector; US\$158.40 for all other sectors.)

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

**Self-employed person:** A voluntary contribution of 13% of declared income, plus up to a maximum of 1.28% of declared income for disability and survivor insurance and up to a maximum of 1.71% of declared income for administrative fees.

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage. (US\$151.20 in the manufacturing for export sector; US\$158.40 for all other sectors.)

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

**Employer:** 6.75% of earnings.

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage. (US\$151.20 in the manufacturing for export sector; US\$158.40 for all other sectors.)

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

**Government:** Subsidizes the guaranteed minimum pension.

#### Social insurance

**Insured person:** 7% of earnings.

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

**Employer:** 7% of payroll.

**Government:** The government finances an indexed bond provided to individuals who switched to the mandatory individual account 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 25 years of contributions. Retirement is permitted before the normal retirement age if the pension equals at least 60% of the base salary (average earnings in the last 20 months of contributions) and 160% of the current minimum pension.

**Guaranteed minimum pension:** Age 60 (men) or age 55 (women) with 25 years of contributions. The pension (based on the value of the accumulated capital plus accrued interest) is less than the minimum pension set by law.

**Disability pension:** The insured was actively contributing to an individual account before the onset of disability (in the case of a common accident); unemployed persons must have 6 months of contributions in the 12 months before the onset of disability.

The degree of disability is assessed by the Disability Commission.

**Guaranteed minimum pension:** Must have 10 years of contributions or contributions in 3 of the 5 years before the onset of disability. The pension (based on the value of the accumulated capital plus accrued interest) is less than the minimum pension set by law.

Constant-attendance supplement: Paid if the insured requires the constant attendance of another person.

*Survivor pension:* The deceased was a pensioner or actively contributing to an individual account before death; unemployed persons must have had 6 months of contributions in the 12 months before the date of death.

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 10 years of contributions or contributions in 3 of the 5 years before death. The survivor pension (based on the value of the accumulated capital plus accrued interest) is less than the minimum pension set by law.

### Social insurance

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

*Disability pension:* Must be younger than age 60 (men) or age 55 (women) and assessed as disabled with at least 36 months of contributions, including 18 months in the 36 months before the onset of disability.

The degree of disability is assessed by the Disability Commission.

*Survivor pension:* The deceased was a pensioner or had at least 5 years of contributions.

### Old-Age Benefits

#### Mandatory individual account

*Old-age pension:* The pension is equal to the insured's contributions plus accrued interest. At retirement, the insured may either make periodic withdrawals from the individual account to guarantee income for the duration of the expected life span or buy an annuity from a private insurance company, or use a combination of both. (The value of accrued rights under the social insurance system is combined with the individual account balance.)

Guaranteed minimum pension: US\$114 a month.

#### Social insurance

*Old-age pension:* The pension is equal to 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 insured's average earnings in the last 120 months.

The minimum monthly pension is US\$114.

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

### Permanent Disability Benefits

#### Mandatory individual account

*Disability pension:* The pension is equal to 70% of the base salary for a total disability. (Disability insurance tops up the accumulated capital in the individual account if the balance is less than the required minimum to finance the permanent disability pension.)

Partial disability: The pension is equal to 50% of the base salary.

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

Guaranteed minimum pension: US\$114 a month for a total disability; US\$79.80 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 equal to 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 insured's average earnings in the last 120 months.

The minimum monthly pension is US\$114.

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 deceased's pension is payable to a spouse (or partner) with children; 60% if there are no eligible children. (Life insurance tops up the accumulated capital in the deceased's individual account if the balance is less than the required minimum to finance the survivor pension.)

*Orphan's pension:* Each eligible child receives 25% of the deceased's pension.

*Parent's pension:* Each parent receives 20% of the deceased's pension; 30% if there is only one surviving parent.

In the absence of a surviving spouse (or partner), the pension for surviving children or parents is increased.

Guaranteed minimum pension: US\$114 a month.

The minimum survivor pension is a percentage of the minimum old-age pension.

#### Social insurance

*Survivor pension:* 50% of the deceased's pension is payable to a widow who was married to the insured for at least 6 months (or who is pregnant or had a child with the deceased) or disabled, a female partner who cohabited with

the deceased for the last 3 years (or who is pregnant or had a child with the deceased) or is disabled, and 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 payable to a mother aged 55 or older; 30% to a father aged 60 or older; 40% if there is only one surviving eligible parent.

The minimum survivor pension is a percentage of the minimum old age pension.

The total survivor pension 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 including the Minister of Labor, representatives of other ministries, the Director of Social Insurance, and representatives of management, labor, and other professional groups, the Social Insurance Institute plans, manages, and administers the program.

### Sickness and Maternity

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#### Regulatory Framework

**First law:** 1949.

**Current laws:** 1953 and 1993.

**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. Pensioners contribute 7.8% of the old-age pension or disability pension and 6% of work injury pensions.

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage. (US\$151.20 in the manufacturing for export sector; US\$158.40 for all other sectors.)

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

The above contributions also finance work injury benefits.

**Self-employed person:** 10.5% of declared income.

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage. (US\$151.20 in the manufacturing for export sector; US\$158.40 for all other sectors.)

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

The above contributions also finance work injury benefits.

**Employer:** 7.5% of payroll.

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage. (US\$151.20 in the manufacturing for export sector; US\$158.40 for all other sectors.)

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

The above contributions also finance work injury benefits.

**Government:** An annual subsidy.

The above subsidy also finances work injury benefits.

### Qualifying Conditions

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

**Cash maternity benefits:** Must have 12 weeks of contributions in the 12 months before the expected date of childbirth.

**Medical benefits:** There is no minimum qualifying period if the insured is currently employed; if unemployed, 8 weeks of contributions in the last 4 months.

### Sickness and Maternity Benefits

**Sickness benefit:** The benefit is equal to 75% of average monthly earnings and is payable after a 3-day waiting period for up to 52 weeks for the same incapacity.

**Maternity benefit:** The benefit is equal to 75% of average earnings and is 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**

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

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 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: Domestic and casual employees and teachers.

#### **Source of Funds**

**Insured person:** See source of funds under Sickness and Maternity, above.

**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 equal to 75% of the insured's average monthly earnings in 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:** With an assessed degree of disability greater than 66%, the pension is equal to 70% of the insured's average monthly earnings in the last year.

The minimum monthly pension is US\$114.

**Dependent child allowance:** A monthly amount for each dependent child younger than age 16 (age 21 if a student) or disabled.

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

**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 35%, a pension equal to double the amount of the permanent disability pension based on the assessed degree of disability is payable for a limited period of up to 3 years.

### **Workers' Medical Benefits**

Benefits include complete medical care, hospitalization, drugs, auxiliary services for diagnosis and treatment, and dental care.

### **Survivor Benefits**

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

**Orphan's pension:** Each child receives 30% of the deceased's pension.

The maximum survivor pension is equal to 100% of the deceased's pension.

**Funeral grant:** Equal to twice the deceased's average monthly salary.

### **Administrative Organization**

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

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