

## Panama

Exchange rate: US\$1.00 = 1.00 balboa.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1941.

**Current law:** 2005 (social insurance).

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

Note: In January 2008, a system of individual accounts was introduced as a supplement to the social insurance system. The mixed system is mandatory for all new entrants to the labor force since 2008 and self-employed persons who were younger than age 35 on January 1, 2007, who earn more than 500 balboas a month.

#### Coverage

**Social Insurance:** Public- and private-sector employees, including citizens working abroad; casual, seasonal, and household workers; and certain self-employed persons.

Voluntary coverage for persons not subject to compulsory coverage.

**Individual Account:** Public- and private-sector employees with gross monthly earnings greater than 500 balboas, including citizens working abroad; casual, seasonal, and household workers; and certain self-employed persons.

Exclusion: Workers with monthly earnings less than 500 balboas.

#### Source of Funds

##### Insured person:

**Social insurance only:** 8.5% (9.25% as of 2013) of gross monthly earnings of 500 balboas or less. The voluntarily insured contribute 12.5% (13.5% as of 2013) of gross monthly earnings of 500 balboas or less.

*Social insurance and individual account:* 8.5% (9.25% as of 2013) of the first 500 balboas to social insurance and 7.41% (8.16% as of 2013) of gross monthly earnings above 500 balboas to the individual account.

The insured's contribution to the individual account includes 1% of the earnings above 500 balboas for collective old-age and disability insurance and 0.0875% of the earnings above 500 balboas for the solidarity contribution.

The minimum earnings used to calculate contributions are the legal monthly minimum wage.

There are no maximum earnings used to calculate contributions.

##### Self-employed person:

**Social insurance only:** 12.5% (13.5% as of 2013) of gross declared monthly earnings of 500 balboas or less.

*Social insurance and individual account:* 12.5% (13.5% as of 2013) of the first 500 balboas to social insurance and 11.41% (12.41% as of 2013) of gross monthly earnings above 500 balboas to the individual account.

The insured's contribution to the individual account includes 1% of the earnings above 500 balboas for collective old-age and disability insurance and 0.0875% of the earnings above 500 balboas for the solidarity contribution.

The minimum earnings used to calculate contributions are the legal monthly minimum wage.

There are no maximum earnings used to calculate contributions.

##### Employer:

**Social insurance only:** 4% (4.25% as of 2013) of gross monthly payroll if the employee has gross monthly earnings of 500 balboas or less.

*Social insurance and individual account:* 4% (4.25% as of 2013) of the first 500 balboas to social insurance and 4% (4.25% as of 2013) of the payroll above 500 balboas to the individual account if the employee has gross monthly earnings greater than 500 balboas.

The minimum earnings used to calculate contributions are the legal monthly minimum wage.

There are no maximum earnings used to calculate contributions.

**Government:** An annual subsidy of 20.5 million balboas; a deposit of 100 million balboas a year to a reserve fund for old age, disability, and survivors social insurance benefits (140 million balboas a year from 2013 to 2060).

#### Qualifying Conditions

**Old-age pension (social insurance and individual account):** Age 62 (men) or age 57 (women) with at least 18 years of contributions (20 years as of 2013); with 10 to 15 years of contributions for seasonal agricultural and construction workers. Employment must cease.

Early pension (social insurance): Age 60 (men) or age 55 (women) with at least 15 years of contributions.

Partial pension (social insurance): Age 62 (men) or age 57 (women) with 15 years to 215 months of contributions (15 years to 239 months in 2013).

Early partial pension (social insurance): Age 60 (men) or age 55 (women) with 15 years to 215 months of contributions (15 years to 239 months in 2013).

Deferred pension (social insurance): A deferred pension is possible.

Dependent's supplement: Paid at the normal retirement age to old-age pensioners with dependent family members. The supplement is paid in addition to the pension.

The pension is payable abroad.

**Old-age settlement (social insurance and individual account):** Paid at the normal retirement age if the insured does not meet the contribution conditions for an old-age pension.

**Disability pension (social insurance and individual account):** Paid for at least a 66.7% loss of earning capacity. Up to age 30 with at least three years of contributions, including at least 18 months in the last three years; aged 31 to 40 with at least four years of contributions, including at least two years in the last four years; older than age 40 but younger than the normal age of retirement with at least five years of contributions, including at least 30 months in the last five years; or at any age younger than the normal retirement age with at least 18 years of contributions (20 years as of 2013).

The pension is paid for up to two years (may be extended) and the assessed degree of disability may be reviewed at any time when requested by the insured or the Social Insurance Fund.

The Medical Qualification Commission assesses the degree of disability.

The disability pension is payable abroad.

**Disability grant (social insurance and individual account):** Paid if the insured does not meet the qualifying conditions for a full pension.

**Survivor pension (social insurance):** The insured was an old-age or disability pensioner or had at least three years of contributions, including at least 18 months in the last three years before the death.

Eligible survivors include a widow(er) and orphans younger than age 14 (age 18 if a student, no limit if disabled); if there are no other survivors, the mother and father.

The survivor pension is payable abroad.

**Survivor grant (social insurance):** Paid if the insured did not meet the qualifying conditions for any pension.

**Survivor pension (individual account):** Eligible survivors include a widow(er) and orphans younger than age 18 (no limit if disabled); if there are no other survivors, the mother and father; if there is no other family member, the designated heir.

**Funeral grant:** Paid if the deceased had six months of contributions during the 12 months prior to death.

### **Old-Age Benefits**

**Old-age pension (social insurance):** The pension is 60% of the insured's average earnings in the best 10 years of earnings plus 1.25% of earnings for each 12-month period of contributions exceeding 18 years (20 years as of 2013).

Early pension: A reduced pension is paid equal to the old-age pension multiplied by 0.9128 for one year before the normal age of retirement or by 0.8342 for two years before the normal age of retirement.

Partial pension: The pension is 60% of the insured's average earnings in the best 10 years of earnings multiplied by the number of months of contribution divided by 18 years (20 years as of 2013).

Early partial pension: A reduced pension is paid equal to the partial pension multiplied by 0.9128 for one year before the normal age of retirement or by 0.8342 for two years before the normal age of retirement.

Deferred pension: An additional 2% of earnings is paid for each one year period of contributions after the normal retirement age.

The minimum monthly pension is 235 balboas (2010).

The maximum monthly pension is 1,500 balboas (2,000 or 2,500 balboas under certain conditions).

**Old-age settlement (social insurance):** A lump sum of one month of an old-age pension is paid for each six-month period of contributions.

Dependent's supplement: 20 balboas a month is paid for a wife, female partner, or a husband with a disability; 10 balboas a month for each child younger than age 14 (age 18 if a student, no limit if disabled), up to 100 balboas.

Benefit adjustment: Benefits are adjusted on an ad hoc basis depending on economic conditions; unless otherwise stated, the minimum pension will increase by 10 balboas a month every five years.

**Old-age pension (individual account):** The pension is the insured's contributions plus accrued interest divided by an actuarial value linked to life expectancy and paid in programmed withdrawals. If the pensioner lives beyond the estimated life expectancy and the individual account is depleted, collective insurance tops up the accumulated capital in the individual account to finance the old-age pension.

The maximum pension is 500 balboas a month.

**Old-age settlement (individual account):** A lump sum of the accumulated capital plus interest is paid.

### **Permanent Disability Benefits**

**Disability pension (social insurance):** The pension is 60% of the insured's average earnings in the best 10 years of earnings plus 1.25% of earnings for each one year period of contributions exceeding 18 years (20 years as of 2013).

The minimum monthly pension is 185 balboas (2010).

The maximum monthly pension is 1,500 balboas (2,000 balboas or 2,500 balboas under certain conditions).

Dependent's supplement: 20 balboas a month is paid for a wife, female partner, or a husband with a disability; 10 balboas a month for each child younger than age 14 (age 18 if a student, no limit if disabled), up to 100 balboas.

Benefit adjustment: Benefits are adjusted on an ad hoc basis depending on economic conditions; unless otherwise stated, the minimum pension will increase by 10 balboas a month every five years.

**Disability pension (individual account):** The pension is the insured's contributions plus accrued interest divided by an actuarial value linked to life expectancy and paid in programmed withdrawals.

If the combined social insurance plus individual account disability pension is less than what the insured would have been entitled to under the old social insurance system, collective insurance pays the difference.

The maximum pension is 500 balboas a month.

**Disability grant (social insurance):** A lump sum of one month of old-age pension is paid for each six-month period of contributions.

**Disability grant (individual account):** A lump sum of the accumulated capital plus interest is paid.

### **Survivor Benefits**

**Survivor pension (social insurance):** 50% of the pension the deceased received or was eligible to receive is paid to a widow.

**Orphan's pension (social insurance):** 20% of the pension the deceased received or was eligible to receive is paid for each orphan younger than age 14 (age 18 if a student, no limit if disabled); 50% for a full orphan.

**Other dependents in the absence of the above (social insurance):** 30% of the deceased's pension is paid to the deceased's mother or aged or father with a disability.

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

**Survivor pension (individual account):** The accumulated capital plus interest is paid to eligible survivors in programmed withdrawals, according to rules set by the advisory board of the Social Insurance Fund.

**Survivor grant (social insurance):** A lump sum of one month of old-age pension is paid for each six-month period of contributions.

Benefit adjustment: Benefits are adjusted on an ad hoc basis depending on economic conditions.

**Funeral grant (social insurance):** A lump sum of 300 balboas is paid.

## **Administrative Organization**

Social Insurance Fund (<http://www.css.org.pa>), managed by a director general with an advisory board, administers the social insurance and individual account programs.

## **Sickness and Maternity**

### **Regulatory Framework**

**First law:** 1941.

**Current law:** 2005 (social insurance).

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

### **Coverage**

Public- and private-sector employees, including voluntary and household workers; and pensioners.

### **Source of Funds**

**Insured person:** 0.5% of gross earnings; 8.75% for the voluntarily insured; pensioners pay a percentage of the monthly pension.

The minimum earnings used to calculate contributions are the legal monthly minimum wage.

There are no maximum earnings used to calculate contributions.

**Self-employed person:** 8.5% of declared earnings.

The minimum earnings used to calculate contributions are the legal monthly minimum wage.

There are no maximum earnings used to calculate contributions.

**Employer:** 8% of gross payroll.

The minimum earnings used to calculate contributions are the legal monthly minimum wage.

There are no maximum earnings used to calculate contributions.

**Government:** 10% of income received from the sale of rights to fiber optic business operations.

### **Qualifying Conditions**

**Cash sickness benefits:** The insured must have at least six months of contributions in the last nine months prior to the onset of sickness.

**Cash maternity benefits:** The insured must have at least nine months of contributions in the year before the seventh month of pregnancy.

**Medical benefits:** Must be currently insured or a pensioner; if the insured becomes unemployed, coverage continues for three months after employment ceases (two years for insured persons with at least 18 years of contributions; 20 years as of 2013).

### **Sickness and Maternity Benefits**

**Sickness benefit:** 70% of the insured's average earnings in the last two months is paid after a three-day waiting period for up to 26 weeks for any one incapacity; may be extended for up to 26 additional weeks for the same incapacity with the agreement of the Social Insurance Fund.

There are no minimum or maximum benefits.

**Maternity benefit:** 100% of the insured's average earnings in the last nine months is paid for up to six weeks before and eight weeks after the expected date of childbirth.

There is no provision for paid parental leave.

### **Workers' Medical Benefits**

Benefits include general and specialist care, surgery, hospitalization, laboratory services, medicine, maternity care, dental care, dental prosthesis (50% of up to 200 balboas every five years), eyeglasses (50% of up to 125 balboas every five years) and appliances.

Medical services are normally provided directly through the facilities of the Social Insurance Fund or are provided by the Ministry of Health, with the total cost reimbursed. In special cases, including those in which the Fund or Ministry have no facilities, the fund may authorize full or partial reimbursement of the cost of private care obtained in the country or abroad.

### **Dependents' Medical Benefits**

Medical benefits for dependents: Medical benefits for dependents are the same as those for the insured. Eligible dependents include the insured's wife or partner who lived with the insured for at least nine months; children younger than age 18 (age 25 if a student, no limit if disabled); and dependent parents.

### **Administrative Organization**

Social Insurance Fund (<http://www.css.org.pa>), managed by a director general with an advisory board, administers the program.

Social Insurance Fund operates its own hospitals and other medical facilities in larger cities.

### **Work Injury**

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#### **Regulatory Framework**

**First law:** 1916.

**Current laws:** 1970 (occupational risks).

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

#### **Coverage**

Public- and private-sector employees.

Exclusions: Self-employed persons and household workers.

#### **Source of Funds**

**Insured person:** None.

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

**Employer:** The total cost is met through the payment of insurance premiums. The cost of premiums varies with the assessed degree of risk.

**Government:** None.

#### **Qualifying Conditions**

**Work injury benefits:** There is no minimum qualifying period. Accidents that occur while commuting to and from work are covered.

#### **Temporary Disability Benefits**

Temporary disability benefit: 100% of the insured's earnings is paid until recovery or certification of permanent disability.

#### **Permanent Disability Benefits**

**Permanent disability pension:** If assessed with a 100% disability, 60% of the insured's earnings is paid.

The minimum monthly pension is 185 balboas (2010).

The maximum monthly pension is 1,500 balboas.

Partial disability: If assessed with a disability of at least 35%, a percentage of the full pension is paid according to the assessed degree of disability.

A lump sum of three years of the full pension is paid if the assessed degree of disability is less than 35%.

The Medical Qualification Commission assesses the disability.

The permanent disability pension is paid for life when the insured reaches age 60 (men) or age 55 (women).

The pension is payable abroad.

Benefit adjustment: Unless otherwise stated, the minimum pension will increase by 10 balboas a month every five years.

#### **Workers' Medical Benefits**

Benefits include general and specialist care, surgery, medicine, hospitalization, and appliances.

#### **Survivor Benefits**

**Survivor pension:** 25% of the deceased's earnings (30% if the sole beneficiary or disabled) is paid to the widow or female partner; 25% of the deceased's earnings (30% if the sole beneficiary) is paid to a disabled or aged widower.

**Orphan's pension:** 15% of the deceased's earnings is paid for one orphan younger than age 18 (no age limit if

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disabled); 25% for two orphans; 35% for three orphans; 40% for four or more orphans. If there is no a widow(er), 20% of the deceased's earnings is paid for one orphan; 15% each for two or more full orphans.

**Other dependent's pension:** If there are no other survivors, 20% to 30% of the deceased's earnings is paid to the mother for up to 10 years; 10% to a father who is aged 60 or older or disabled. Brothers or sisters of the deceased who are younger than age 18 (no limit if disabled) receive the same amount as an orphan would have received.

The value of all survivor benefits combined must not exceed 75% of the deceased's earnings.

The pension is payable abroad.

**Funeral grant:** A lump sum of 300 balboas is paid.

### ***Administrative Organization***

Social Insurance Fund (<http://www.css.org.pa>), managed by a director general with an advisory board, administers the program.

Social Insurance Fund operates its own hospitals and other medical facilities in larger cities.

### ***Unemployment***

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#### ***Regulatory Framework***

No statutory benefits are provided.

Under the 1972 Labor Code, employers are required to provide workers with a severance payment at the end of the labor contract.