

## Latvia

Exchange rate: US\$1.00 equals 0.49 lats.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1922.

**Current laws:** 1995 (social insurance), 1997 (social insurance), and 2000 (funded pension scheme).

**Type of program:** Notional defined contribution (NDC), mandatory individual account, social insurance, and social assistance system.

Municipalities provide social assistance benefits (means-tested and conditional) to the needy.

#### Coverage

**Old-age and survivor pensions (NDC):** Employed persons; self-employed persons; unemployed persons with disabilities; armed forces personnel and their spouses; persons caring for a child younger than 18 months; and recipients of certain social insurance benefits.

Voluntary coverage for all persons aged 15 or older residing permanently in Latvia who are not subject to compulsory insurance and the spouse of a self-employed person younger than the retirement age.

**Old-age pension (mandatory individual account):** The individual account is mandatory for persons covered under the social insurance system who were younger than age 30 on July 1, 2001; voluntary coverage for persons aged 30 to 49 on July 1, 2001.

**Disability pension (social insurance):** Employed and self-employed persons. Persons caring for a child younger than 18 months; recipients of the maternity and paternity benefit and parent's benefit.

Voluntary coverage for spouse of a self-employed person younger than the retirement age.

#### Source of Funds

**Insured person:** 9% of covered earnings plus administrative fees for the individual account.

Of the total insured person and employer contribution of 33.09% of covered earnings, 18% of covered earnings finances the NDC benefits and 2% of covered earnings finances the individual account. The remainder finances the disability, sickness and maternity benefits, work injury benefits, parent's benefits, and unemployment benefits. (In 2011, the contribution rate for the individual account will increase from 2% to 4% of covered earnings; in 2012, from

4% to 6%. The NDC contribution rate will decrease so that the total contribution rate remains the same.)

The annual minimum earnings used to calculate contributions are the statutory annual minimum wage; the minimum daily earnings used to calculate contributions depend on the statutory hourly minimum wage.

The maximum annual earnings used to calculate contributions are not in force from 2009 to 2013.

**Self-employed person:** 28.17% of covered earnings plus administrative fees for the individual account.

Of the total self-employed person's contribution of 28.17% of covered earnings, 18% of covered earnings finances the NDC pension and 2% of covered earnings finances the individual account. The remainder finances the disability pension, sickness and maternity benefits, and parent's benefits. (In 2011, the contribution rate for the individual account will increase from 2% to 4% of covered earnings; in 2012, from 4% to 6%. The NDC contribution rate will decrease so that the total contribution rate remains the same.)

The minimum annual declared earnings used to calculate contributions are 2,160 lats.

The maximum annual earnings used to calculate contributions are not in force from 2009 to 2013.

**Employer:** 24.09% of covered earnings.

Of the total insured person and employer contribution (33.09%), 18% of covered earnings finances the NDC pension and 2% of covered earnings finances the individual account. The remainder finances the disability pension, sickness and maternity benefits, work injury benefits, parent's benefits, and unemployment benefits. (In 2011, the contribution rate for the individual account will increase from 2% to 4% of covered earnings; in 2012, from 4% to 6%. The NDC contribution rate will decrease so that the total contribution rate remains the same.)

The minimum annual earnings used to calculate contributions are the statutory minimum annual wage; the minimum daily earnings used to calculate contributions depend on the statutory minimum hourly wage.

The maximum annual earnings used to calculate contributions are not in force from 2009 to 2013.

**Government:** Contributes for persons residing in Latvia caring for a child younger than 18 months and receiving child care benefits, and certain social insurance beneficiaries.

#### Qualifying Conditions

**Old-age pension (NDC and mandatory individual account):** Age 62 (men and women) with at least 10 years of coverage.

Special conditions apply to certain persons with disabilities; to parents with large families or a child with a disability; to persons who worked under hazardous or dangerous

conditions before 1996; to certain persons affected by the Chernobyl disaster; and to politically repressed persons.

For a transitional period special conditions apply to transport workers and artists.

Early pension: Age 60 with at least 30 years of coverage. (Beginning January 1, 2012, early retirement will be eliminated.)

Deferred pension: The pension may be deferred. There is no age limit.

Old-age benefits are payable abroad.

**State social security benefit (social assistance):** Age 67 (men and women) with less than 10 years of coverage or with no previous coverage.

**Disability pension (social insurance):** The insured must be assessed with a disability and have at least 3 years of coverage. There are three groups of assessed disability: Group I (severe disability requiring constant attendance); Group II (severe disability but not in need of constant attendance); and Group III (disability).

The degree of disability is assessed by the State Medical Commission for the Assessment of Health Conditions and Working Ability.

Disability benefits are payable abroad.

**State social security benefit (social assistance):** Paid to persons aged 18 or older with disabilities. The benefit is paid for as long as the disability lasts.

**Disabled person care allowance (social assistance):** Paid to all adults with disabilities (regardless of whether covered or not) with an assessed Group I disability.

**Survivor pension (NDC and mandatory individual account):** The deceased was insured or was a pensioner at the time of death.

Eligible survivors are the insured's children, including adopted children younger than age 18 (age 24 if a full time student, no limit if disabled); and dependent brothers, sisters, grandchildren, stepsons, and stepdaughters younger than age 18 (age 24 if a full time student, no limit if disabled) who are without parents who are capable of work.

Survivor benefits are payable abroad.

**Spouse benefit (NDC and mandatory individual account):** If the surviving spouse receives a state pension and the pensioner died after January 1, 2007, the spouse is entitled to a lump-sum benefit.

**Death allowance (NDC and mandatory individual account):** Paid for the death of an insured person, an unemployed person, a pensioner, or an insured's dependent family member. In the case of the death of an insured person or a family member of an insured person, the death must have occurred within 1 month after the end of the contribution period. The benefit can be claimed up to 12 months after the date of death.

**State social security benefit (social assistance):** Paid to eligible survivors if the deceased did not satisfy the qualifying conditions for a pension.

### **Old-Age Benefits**

**Old-age pension (NDC):** The pension is based on the insured's contributions, annual capital growth adjusted according to changes in the earnings index, and average life expectancy.

The monthly minimum pension for a coverage period of up to 20 years is 49.50 lats (82.50 lats if disabled since childhood); for a coverage period of 21 to 30 years, 58.50 lats (97.50 lats if disabled since childhood); for a coverage period of 30 to 40 years, 67.50 lats (112.50 lats if disabled since childhood); for a coverage period of 41 years or more, 76.50 lats (127.50 lats if disabled since childhood).

Early pension: 50% of the old-age pension is paid until the insured reaches the normal retirement age. (Early retirement will no longer be possible from January 1, 2012.)

Deferred pension: Calculated in the same way as the old-age pension.

Benefit adjustment: No adjustments in 2009 or 2010.

**Old-age pension (mandatory individual account):** The pension is based on the insured's contributions plus accrued interest. At retirement, the insured can purchase an annuity or have the funds credited to his or her NDC account.

**State social security benefit (social assistance):** The monthly benefit is 45 lats; 75 lats if disabled since childhood.

### **Permanent Disability Benefits**

**Disability pension (social insurance):** The pension is calculated according to three groups of assessed disability.

Group I: The monthly pension is 0.45 times the insured's average earnings in 3 consecutive years in the last 5 years plus the insured's average wage multiplied by the ratio of actual contribution years to the total possible number of years of coverage between age 15 and retirement.

The minimum monthly pension is 1.6 times the state social security benefit (72 lats; 120 lats if disabled since childhood).

Group II: The monthly pension is 0.4 times the insured's average earnings in 3 consecutive years in the last 5 years plus the insured's average wage multiplied by the ratio of actual contribution years to the total possible number of years of coverage between age 15 and retirement.

The minimum pension is 1.4 times the state social security benefit (63 lats; 105 lats if disabled since childhood).

Group III: The monthly pension is the state social security benefit of 45 lats; 75 lats if disabled since childhood.

The minimum annual earnings used to calculate benefits for self-employed persons and voluntarily insured persons are 2,160 lats.

The maximum annual earnings used to calculate benefits are not in force from 2009 to 2013.

Benefit adjustment: No adjustments in 2009 or 2010.

**State social security benefit (social assistance):**

The monthly benefit is 45 lats; 75 lats if disabled since childhood.

**Disabled person care allowance (social assistance):**

The monthly allowance is 150 lats.

### **Survivor Benefits**

**Survivor pension (NDC and mandatory individual account):**

The monthly pension for one survivor is 50% of the deceased's old-age pension; 75% for two eligible survivors; 90% for three or more eligible survivors. The pension for a full orphan is based on the old-age pensions of both parents.

The minimum monthly survivor pension is 65% of the state social security benefit for each eligible survivor (29.25 lats; 48.75 lats if disabled since childhood).

Benefit adjustment: No adjustments in 2009 or 2010.

**Spouse benefit (NDC and mandatory individual account):**

A lump sum of 2 months of the deceased's pension is paid.

**Death allowance (NDC and mandatory individual account):**

The allowance is twice the deceased's last monthly average earnings used to calculate contributions or the deceased's pension. For the death of a dependent family member or an unemployed person, the allowance is 3 times the state social security benefit (135 lats; 225 lats if disabled since childhood); for the death of a pensioner, two months of the deceased's pension; for a state social security benefit recipient, twice the state social security benefit.

**State social security benefit (social assistance):**

The monthly benefit is 45 lats; 75 lats if disabled since childhood.

### **Administrative Organization**

Ministry of Welfare (<http://www.lm.gov.lv>) provides general supervision.

State Social Insurance Agency (<http://www.vsaa.gov.lv>) administers cash benefits and individual accounts.

Financial and Capital Market Commission (<http://www.fktk.lv>) supervises the asset managers of the individual accounts.

## **Sickness and Maternity**

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### **Regulatory Framework**

**First law:** 1924.

**Current law:** 1995 (maternity and sickness benefits).

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

### **Coverage**

**Cash benefits:** Employed and self-employed persons.

Voluntary coverage for all persons aged 15 or older residing permanently in Latvia who are not compulsorily covered and are not receiving an old-age pension; the spouse of a self-employed person younger than the retirement age.

**Medical benefits:** All Latvian citizens residing in Latvia and noncitizens with residence permits.

### **Source of Funds**

**Insured person:** See source of funds under Old Age, Disability, and Survivors; voluntary contributors pay 2.47% of earnings for sickness and maternity benefits and 1.68% of earnings for the parent's benefit.

The minimum annual earnings used to calculate contributions are the statutory minimum annual wage; the minimum daily earnings used to calculate contributions depend on the statutory minimum hourly wage.

The minimum annual earnings used to calculate contributions for self-employed persons and voluntarily insured persons are 2,160 lats.

**Self-employed person:** 2.36% of gross earnings for sickness and maternity benefits and 1.68% for the parent's benefit is taken from the total contribution rate of 28.17% of gross earnings paid under Old Age, Disability, and Survivors.

**Employer:** See source of funds under Old Age, Disability, and Survivors.

**Government:** Finances state-guaranteed health care services through the annual state budget. Contributes as an employer.

### **Qualifying Conditions**

**Cash and medical benefits:** There is no minimum qualifying period.

### **Sickness and Maternity Benefits**

**Sickness benefit:** The benefit is 80% of the insured's average earnings in the last 12 months. The benefit is paid from the 11th day of incapacity for work until recovery or up to 26 weeks from the first day of incapacity for work (52 weeks within a 3-year period for a repeated incapacity for work); may be extended at the recommendation of the

State Medical Commission. The employer pays the benefit during the waiting period (the benefit must not be less than 75% of the insured's average earnings for the 2nd and 3rd days and not less than 80% for the 4th to the 10th days).

The minimum annual earnings used to calculate benefits for self-employed persons and voluntarily insured persons are 1,800 lats.

The maximum annual earnings used to calculate benefits are 2,160 lats.

The sickness benefit is paid after the insured is certified as incapable of work by the State Social Insurance Agency.

**Sick child care benefit:** The benefit is 80% of the insured's average earnings in the last 12 months and is paid from the first day up to the 21st day if caring for a child younger than age 14. The benefit is also paid for a child receiving treatment in hospital.

**Maternity benefit:** The benefit is 100% of the insured's average earnings in the last 12 months. The benefit is paid for 112 consecutive days (56 days before and 56 days after the expected date of childbirth); 14 additional days are paid in the event of multiple births.

The minimum annual earnings used to calculate benefits for self-employed persons and voluntarily insured persons are 2,160 lats.

The benefit may be paid for 14 additional consecutive days as the result of complications arising during pregnancy, childbirth, or the postnatal period and in cases where inpatient medical care associated with the pregnancy began before the 12th week of pregnancy.

Maternity benefits must be claimed within 12 months after the first day of the maternity leave period.

Maternity benefits are paid after the insured is certified as incapable of work by the State Social Insurance Agency.

**Paternity benefit:** The benefit is 80% of the insured's average earnings in the last 12 months and is paid for 10 consecutive days.

The minimum annual earnings used to calculate benefits for self-employed persons and voluntarily insured persons are 2,160 lats.

**Parent's benefit:** Paid to persons on child care leave or to persons who work during the child care period while raising a child younger than age 1. The benefit is 70% of the insured's average monthly earnings, but must be at least 63 lats a month.

Average earnings are based on earnings in the 12-month period starting 3 months before the expected month of childbirth.

The minimum annual earnings used to calculate benefits for self-employed persons and voluntarily insured persons are 2,160 lats.

### **Workers' Medical Benefits**

Benefits are provided by state-owned and private hospitals under contract with the Health Compulsory Insurance State Agency. Benefits include general and specialist care, medicine, hospitalization, maternity care, dental care for children up to age 18 and for certain persons affected by the Chernobyl disaster, and cochlear implants for children, according to a schedule in law.

Cost sharing: For outpatient care in clinics, the insured pays 1 lat for a visit to a general practitioner; 3 lats for a visit to a specialized physician; 5 lats a day for inpatient care. Rates vary for a home visit by a general practitioner.

Treatment is free for emergencies; for children up to age 18; for persons with Group I disabilities; for pregnant women and women with a newborn child (for up to 42 days); for low-income persons; for persons with serious conditions (tuberculosis, mental illness, and chronic hemodialysis); persons who are cared for in-state social care centers and local government rest homes; for vaccinations provided through the state immunization program; for preventive examinations and treatment for certain infectious diseases; for certain persons affected by the Chernobyl disaster; and for politically oppressed persons and participants of the national resistance movement.

### **Dependents' Medical Benefits**

Benefits are provided by state-owned and private hospitals under contract with the Health Compulsory Insurance State Agency. Benefits include general and specialist care, medicine, hospitalization, maternity care, dental care for children up to age 18 and for certain persons affected by the Chernobyl disaster, and cochlear implants for children, according to a schedule in law.

Cost sharing: For outpatient care in clinics, the insured pays 1 lat for a visit to a general practitioner; 3 lats for a visit to a specialized physician; 5 lats a day for inpatient care. Rates vary for a home visit by a general practitioner.

Treatment is free for emergencies; for children up to age 18; for persons with Group I disabilities; for pregnant women and women with a newborn child (for up to 42 days); for low-income persons; for persons with serious conditions (tuberculosis, psychiatric illnesses, and chronic hemodialysis); persons who are cared for in-state social care centers and local government rest homes; for vaccinations provided through the state immunization program; for preventive examinations and treatment for certain infectious diseases; for certain persons affected by the Chernobyl disaster; and for politically oppressed persons and participants of the national resistance movement.

### **Administrative Organization**

Ministry of Welfare (<http://www.lm.gov.lv>) and Ministry of Health (<http://www.vm.gov.lv>) provide general supervision.

State Social Insurance Agency (<http://www.vsaa.gov.lv>) administers cash benefits.

Health Payment Center (<http://www.vnc.gov.lv>) administers medical benefits.

## **Work Injury**

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### **Regulatory Framework**

**First law:** 1927.

**Current law:** 1995 (work injuries and occupational diseases).

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

### **Coverage**

Employed persons if the work-related accident occurred or the occupational disease was diagnosed after 1997.

Exclusions: Self-employed persons.

### **Source of Funds**

**Insured person:** None.

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

**Employer:** See source of funds under Old Age, Disability, and Survivors.

**Government:** Finances state-guaranteed health care services through the annual state budget. Contributes as an employer.

### **Qualifying Conditions**

**Work injury benefits:** There is no minimum qualifying period. Accidents that occur while commuting to and from work are not covered. For an occupational disease, the insured must have at least 3 years of coverage after 1997.

### **Temporary Disability Benefits**

The benefit is identical to the sickness benefit paid under Sickness and Maternity.

The benefit is 80% of the insured's average earnings in the last 12 months. The benefit is paid from the 11th day of incapacity for work until recovery or up to 26 weeks from the first day of incapacity for work (52 weeks within a 3-year period for a repeated incapacity for work). The employer pays the benefit in the waiting period (the benefit must not be less than 80% of the insured's average earnings for the 1st to the 10th day).

The sickness benefit is paid after the insured is certified as incapable of work by the State Social Insurance Agency.

### **Permanent Disability Benefits**

**Permanent disability benefit:** For a 100% loss of earning capacity, the monthly pension is 80% of the insured's average monthly earnings in the last 12 months.

Partial disability pension: A reduced pension is paid for a loss of earning capacity less than 100%. For a loss of earning capacity from 90% to 99%, the monthly pension is 75% of the insured's average monthly earnings in the last 12 months; for a loss of earning capacity from 25% to 49%, 50% of the insured's average monthly earnings.

The disability is assessed by the Health and Working Capacity Medical Expert Commission.

Benefit adjustment: No adjustments in 2009 or 2010.

### **Workers' Medical Benefits**

Benefits include general and specialist care, medicine, and hospitalization. The insured is also reimbursed for additional expenses for medical treatment, nursing care, prostheses, travel expenses, and occupational rehabilitation.

### **Survivor Benefits**

**Survivor pension:** The monthly pension is 25% of the deceased's average monthly earnings in the last 12 months for one survivor, 35% for two, 45% for three, and 55% for four or more.

The minimum survivor pension is the state social security benefit of 45 lats; 75 lats if disabled since childhood.

The maximum survivor pension is 80% of the deceased's average monthly earnings in the last 12 months.

Eligible survivors are the surviving spouse; children; and dependent brothers, sisters, grandchildren, parents, and grandparents.

**Orphan's pension:** The monthly pension is 40% of the deceased's average monthly earnings in the last 6 months for one survivor, 35% for two, 45% for three, and 55% for four or more.

**Full orphan's pension:** The monthly pension is 40% of the deceased's average monthly earnings in the last 12 months for one survivor, 50% for two, 60% for three, and 70% for four or more.

Benefit adjustment: No adjustments in 2009 or 2010.

**Death allowance:** The allowance is twice the deceased's last monthly average earnings used to calculate contributions or twice the permanent disability benefit.

### **Administrative Organization**

Ministry of Welfare (<http://www.lm.gov.lv>) provides general supervision.

State Social Insurance Agency (<http://www.vsaa.gov.lv>) administers benefits.

## Unemployment

### Regulatory Framework

**First law:** 1991.

**Current law:** 1999 (unemployment insurance).

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

### Coverage

Employed persons; active military personnel and their spouses; persons residing in Latvia caring for a child younger than 18 months; and recipients of the child rearing allowance, child care benefit, sickness benefit, or maternity benefit.

Exclusions: Self-employed persons.

### Source of Funds

**Insured person:** See source of funds under Old Age, Disability, and Survivors.

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

**Employer:** See source of funds under Old Age, Disability, and Survivors.

**Government:** Contributes 1.75% of 50 lats per month for active military personnel and their spouses and for persons residing in Latvia caring for a child younger than 18 months.

### Qualifying Conditions

**Unemployment benefit:** The insured must have at least 1 year of contributions, including 9 months in the last 12 months before unemployment, and be registered at the state employment office.

Special conditions apply to persons caring for a child younger than 18 months, persons caring for a disabled child younger than age 16, formerly disabled persons who have regained the capacity to work, and persons in military service.

### Unemployment Benefits

The monthly benefit varies according to the length of the coverage period and the duration of unemployment. The benefit is 50% of the insured's average earnings in the last 12 months with 1 to 9 years of coverage, 55% with 10 to 19 years, 60% with 20 to 29 years, and 65% with 30 years or more.

The benefit is paid for up to 9 months in any 12 month period and the benefit decreases over time to 75% or 50% of the original benefit, depending on the insured's length of coverage.

Persons caring for a child younger than 18 months or caring for a disabled child younger than age 16 or formerly disabled persons who have regained the capacity to work

and persons who were in military service before becoming unemployed receive twice the monthly state social security benefit of 45 lats.

### Administrative Organization

Ministry of Welfare (<http://www.lm.gov.lv>) provides general supervision.

State Social Insurance Agency (<http://www.vsaa.gov.lv>) and local insurance offices administer benefits.

State Employment Agency (<http://www.nva.lv>) and local employment offices are responsible for job placements, training, and retraining.

### Family Allowances

#### Regulatory Framework

**First law:** 1990.

**Current laws:** 1997 (social security) and 2002 (social benefits).

**Type of program:** Universal system.

#### Coverage

All Latvian citizens residing in Latvia and noncitizens with residence permits.

#### Source of Funds

**Insured person:** None.

**Self-employed person:** None.

**Employer:** None.

**Government:** The total cost.

#### Qualifying Conditions

**Family allowance:** The child must be younger than age 15 (age 19 if a full-time student; age 18 if disabled) and unmarried.

**Foster family allowance:** The allowance is paid to families providing foster care.

**Foster care benefit:** Paid to a family or person recognized as the foster family or parent.

**Child-rearing allowance (flat-rate benefit):** The child must be younger than age 2. The person rearing a child must not be employed. From age 1 to 2, the benefit is not paid if a maternity or paternity benefit has been paid to the child's other parent during the same period of time.

Family allowances are also paid.

Child-rearing allowance supplement: Paid in the event of multiple births.

**Childbirth allowance:** Paid to one of the parents (or guardians) of a child younger than age 1.

**Disabled child-rearing allowance:** Paid to persons rearing a child younger than age 18 with an assessed severe disability.

Disabled child supplement: Paid to persons receiving family allowances for a disabled child younger than age 18.

**Adopted child care benefit:** Paid to a person who has custody of a child whose adoption has yet to be approved by a court.

**Adoption benefit:** Paid to a person who has adopted a child and the adoption has been approved by a court.

**Legal guardian allowance:** Paid to the appointed legal guardian.

**Legal guardian duties benefit:** Paid to the appointed legal guardian.

### ***Family Allowance Benefits***

**Family allowance:** The monthly benefit is 8 lats for the first child, 9.60 lats for the second, 12.80 lats for the third, and 14.40 lats for each subsequent child.

**Foster family allowance:** The monthly allowance is 80 lats regardless of the number of foster children and is paid for the duration of the child's stay with the family.

**Foster care benefit:** The amount paid is set by the local authority, but must be at least 27 lats a month.

**Child-rearing allowance (flat-rate benefit):** The monthly benefit is 50 lats if the child is younger than age 1; 30 lats if the child is aged 1 or 2.

Child-rearing allowance supplement: The benefit is 50 lats per month for each child younger than age 1 and 30 lats per month for each child aged 1 or 2.

**Childbirth allowance:** A lump sum of 296 lats is paid.

Childbirth supplement: 100 lats is paid for the first child, 150 lats for the second, and 200 lats for each subsequent child.

**Disabled child-rearing allowance:** 150 lats a month is paid until the disabled child reaches age 18.

Disabled child supplement: 50 lats a month is paid until the child reaches age 18.

**Adopted child care benefit:** 35 lats a month is paid.

**Adoption benefit:** A lump sum of 1,000 lats is paid for each child.

**Legal guardian allowance:** 32 lats a month is paid for each child.

**Legal guardian duties benefit:** 38 lats a month is paid.

### ***Administrative Organization***

Ministry of Welfare (<http://www.lm.gov.lv>) provides general supervision.

Ministry for Children and Family Affairs is responsible for family policy and the payment of child-rearing allowances.

State Social Insurance Agency (<http://www.vsaa.gov.lv>) administers benefits.