

## El Salvador

Exchange rate: Currency is the US dollar (US\$).

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First laws:** 1953 and 1969.

**Current laws:** 1996 (individual account), implemented in 1998; and 1996 (pension supervision), implemented in 1998.

**Type of program:** Mandatory individual account and social insurance system.

Note: The pay-as-you-go social insurance system, which is being phased out, covers all insured persons who were older than age 55 (men) or age 50 (women) in 1998 and workers older than age 36 in 1998 who did not opt for the individual account system.

#### Coverage

All public- and private-sector employees.

Voluntary coverage for self-employed persons, owners of small enterprises, and citizens of El Salvador residing abroad.

#### Source of Funds

**Insured person:** 6.25% of covered earnings.

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

The legal monthly minimum wage ranges from US\$90.98 to US\$233.18, depending on the sector.

The maximum earnings used to calculate contributions are US\$5,467.38.

**Self-employed person:** 13% of declared covered earnings for the old-age pension plus up to 2.7% of declared covered earnings for disability and survivor insurance and for administrative fees.

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

The legal monthly minimum wage ranges from US\$90.98 to US\$233.18, depending on the sector.

The maximum earnings used to calculate contributions are US\$5,467.38.

**Employer:** 4.55% of covered payroll for the old-age pension plus up to 2.7% of covered payroll for disability and survivor insurance and for administrative fees.

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

The legal monthly minimum wage ranges from US\$90.98 to US\$233.18, depending on the sector.

The maximum earnings used to calculate contributions are US\$5,467.38.

**Government:** The total cost of the guaranteed minimum pension; special subsidies as needed to the pay-as-you-go system. (The government also finances an indexed bond for account holders who made contributions to the old social insurance system. The bond is the insured's contributions to the old social insurance system plus interest.)

#### Qualifying Conditions

**Old-age pension:** Age 60 (men) or age 55 (women) with at least 25 years of contributions.

Early pension: At any age if the individual account balance is sufficient to provide a pension of at least 60% of the base salary or 160% of the minimum monthly pension.

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

The minimum monthly old-age pension is US\$207.60.

Guaranteed minimum old-age pension: Age 60 (men) or age 55 (women) with at least 25 years of contributions. Paid if the individual account balance is insufficient to provide the minimum pension set by law.

**Disability pension:** The insured was actively contributing to an individual account before the disability began or had at least six months of contributions in the 12 months before the disability began; unemployed persons whose disability began in the 12-month period following the last contribution and had at least six months of contributions in the 12 months before the last contribution.

If none of the qualifying conditions is met, the pension is the balance in the individual account.

The Disability Commission assesses the degree of loss in working capacity.

Guaranteed minimum disability pension: The insured had at least 10 years of contributions; at least three years of contributions in the five years before the disability began if the disability is the result of a disease; at least six months of contributions in the 12 months before the disability began if the disability is the result of an accident and the insured was actively contributing to an individual account before the disability began. Paid if the individual account balance is insufficient to provide the minimum pension set by law.

The minimum monthly pension for an assessed degree of disability of at least 66% is US\$207.60; US\$145.32 a month for a partial disability.

**Survivor pension:** The insured was actively contributing to an individual account at the time of death and had at least six months of contributions in the 12 months before death;

unemployed persons who died in the 12-month period following the last contribution and had at least six months of contributions in the 12 months before the last contribution.

Eligible survivors include the widow(er) or cohabiting partner, children younger than age 18 (age 24 if a student, no limit if disabled), and dependent parents.

**Guaranteed minimum survivor pension:** The deceased had at least 10 years of contributions; at least three years of contributions in the five years before the death if the death is the result of a disease; at least six months of contributions in the 12 months before the death if the death is the result of an accident and the insured was actively contributing to an individual account. Paid if the individual account balance is insufficient to provide the minimum pension set by law.

The minimum monthly survivor pension is US\$207.60.

### **Old-Age Benefits**

**Old-age pension:** The insured has three different options: programmed withdrawals; an annuity from a private insurance company; or a combination of both options. (The value of accrued rights under the social insurance system is combined with the individual account balance at retirement.)

**Guaranteed minimum old-age pension:** The difference between the individual account balance and the minimum pension set by law is paid.

The minimum monthly old-age pension is US\$207.60.

### **Permanent Disability Benefits**

**Disability pension:** For a total disability (assessed loss in working capacity of at least 66%), 70% of the base salary is paid.

**Partial disability:** For an assessed loss in working capacity of 50% to 65%, 50% of the base salary is paid.

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

**Guaranteed minimum disability pension:** The difference between the individual account balance and the minimum pension set by law is paid.

The minimum monthly disability pension for a total disability (assessed loss in working capacity of at least 66%) is US\$207.60; US\$145.32 for a partial disability.

The minimum old-age pension replaces the minimum disability pension at the normal retirement age.

### **Survivor Benefits**

**Spouse's pension:** 50% of the old-age or disability pension the deceased received or was entitled to receive is paid to a widow(er) or cohabiting partner with children (if there is no widow(er) or cohabiting partner, the pension is paid to orphans); 60% if there is no eligible orphan.

**Orphan's pension:** 25% of the old-age or disability pension the deceased received or was entitled to receive is paid to each orphan.

**Parent's pension:** 20% of the old-age or disability pension the deceased received or was entitled to receive is paid to each dependent parent; 30% if there is only one surviving parent. If there is no eligible widow(er) or partner, 40% is paid to each parent; 80% if there is only one surviving parent.

**Guaranteed minimum survivor pension:** The difference between the individual account balance and the minimum pension set by law is paid.

The minimum monthly survivor pension is US\$207.60.

All survivor benefits combined must not exceed 100% of the old-age pension the deceased received or was entitled to receive.

### **Administrative Organization**

Superintendent of Pensions (<http://www.ssf.gob.sv/>) provides general supervision.

Individual pension fund management companies (AFPs) administer individual accounts.

### **Sickness and Maternity**

#### **Regulatory Framework**

**First law:** 1949.

**Current laws:** 1953 (social security) and 1996 (social insurance).

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

#### **Coverage**

Employed and self-employed persons in industry and commerce, household workers, and pensioners.

Exclusions: Teachers and agricultural and casual workers.

#### **Source of Funds**

**Insured person:** 3% of covered earnings. Pensioners contribute 7.8% of the old-age, disability, or survivor pension; or 6% of the work injury disability or survivor pension.

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

The legal monthly minimum wage ranges from US\$87.48 to US\$224.21, depending on the sector.

The maximum earnings used to calculate contributions are US\$685.71.

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

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

The legal monthly minimum wage ranges from US\$87.48 to US\$224.21, depending on the sector.

The maximum earnings used to calculate contributions are US\$685.71.

The self-employed person's contributions also finance work injury benefits.

**Employer:** 7.5% of covered payroll.

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

The legal monthly minimum wage ranges from US\$87.48 to US\$224.21, depending on the sector.

The maximum earnings used to calculate contributions are US\$685.71.

The employer's contributions also finance work injury benefits.

**Government:** An annual subsidy.

### **Qualifying Conditions**

**Cash sickness benefits:** Must be currently employed. There is no minimum qualifying period.

**Cash maternity benefits:** Must have at least 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. Unemployed persons must have at least eight weeks of contributions in the last three months.

### **Sickness and Maternity Benefits**

**Sickness benefit:** 75% of average monthly earnings is paid after a three-day waiting period for up to 26 weeks for the same incapacity; may be extended for an additional 26 weeks. The benefit is paid daily.

**Maternity benefit:** 100% of average earnings is paid daily for up to 12 weeks; other benefits include milk (with a medical prescription) and a layette.

### **Workers' Medical Benefits**

Benefits include complete medical and maternity care, hospitalization, medicine, auxiliary services for diagnosis and treatment, and dental care (except for cosmetic reasons). Unemployed persons receive medical benefits for up to a year.

### **Dependents' Medical Benefits**

The insured's wife receives maternity care (including a breastfeeding grant and layette) and medical and dental benefits. Children up to age 12 receive basic medical care.

### **Administrative Organization**

Social Insurance Institute (<http://www.issv.gob.sv>), supervised by a board of directors, administers the program.

Social Insurance Institute operates its own clinics and hospitals.

### **Work Injury**

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#### **Regulatory Framework**

**First law:** 1949.

**Current laws:** 1953 (social security) and 1996 (social insurance).

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

#### **Coverage**

Public- and private-sector employees, self-employed persons in industry and commerce, and household workers.

Exclusions: Casual and rural workers.

#### **Source of Funds**

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

**Self-employed person:** See source of funds under Sickness and Maternity.

**Employer:** See source of funds under Sickness and Maternity.

**Government:** See source of funds under Sickness and Maternity.

#### **Qualifying Conditions**

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

#### **Temporary Disability Benefits**

75% of the insured's average monthly earnings in the first three of the last four months is paid from the day after the disability began for up to 52 weeks.

#### **Permanent Disability Benefits**

**Permanent disability pension:** For an assessed degree of disability of more than 66%, 70% of the insured's average monthly earnings in the last year is paid.

The minimum monthly permanent disability pension is US\$119.70.

Constant-attendance supplement: Up to 50% of the pension is paid if the insured requires the constant attendance of others to perform daily functions.

Partial disability: For an assessed degree of disability of 35% to 66%, a percentage of the full pension is paid

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according to the assessed degree of disability. For an assessed degree of disability of 20% to 34%, the benefit is double the amount of the permanent disability pension based on the assessed degree of disability and is paid for up to three years.

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

Benefits include complete medical and maternity care, hospitalization, medicine, auxiliary services for diagnosis and treatment, and dental care (except for cosmetic reasons).

### ***Survivor Benefits***

**Spouse's pension:** 60% of the permanent disability pension the deceased received or was eligible to receive is paid to a spouse.

**Orphan's pension:** 30% of the permanent disability pension the deceased received or was eligible to receive is paid for each child.

All survivor benefits combined must not exceed 100% of the permanent disability pension the deceased received or was eligible to receive.

**Funeral grant:** A lump sum of twice the deceased's average monthly salary (used to calculate contributions) in the two years before death is paid.

### ***Administrative Organization***

Social Insurance Institute (<http://www.iss.gov.sv>), supervised by a board of directors, administers the program.

Social Insurance Institute operates its own clinics and hospitals.