

## Panama

Exchange rate: US\$1.00 = 1.00 balboa.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First laws:** 1941 (social insurance fund) and 2009 (social assistance).

**Current laws:** 2005 (social insurance and individual accounts) and 2010 (noncontributory pension).

**Type of program:** Social insurance, mandatory individual account, and social assistance system.

#### Coverage

**Social insurance only:** Public- and private-sector employees and self-employed persons who were insured and were older than age 35 on January 1, 2006; public- and private-sector employees who were insured and younger than age 35 or who started working from January 1, 2006, to December 31, 2007, and did not choose to participate in the mixed social insurance and mandatory individual account system; and public- and private-sector employees who started working from January 1, 2006, to December 31, 2007, and who chose not to participate in the mixed system.

**Social insurance and mandatory individual account (mixed):** Public- and private-sector employees who were insured and aged 35 or younger on January 1, 2006, and who chose to participate in the mixed system before December 31, 2007; public- and private-sector employees who started working from January 1, 2006, to December 31, 2007, and who chose to participate in the mixed system; and public- and private-sector employees who started working after December 31, 2007.

Exclusions: Self-employed persons.

Voluntary coverage for persons not subject to mandatory coverage, including employees of international organizations and foreign diplomatic missions working in Panama.

**Mandatory individual account only:** Self-employed persons aged 35 or younger on January 1, 2007, with gross annual earnings greater than 9,600 balboas.

**Social assistance:** Needy citizens of Panama.

#### Source of Funds

##### Insured person

**Social insurance only:** 9.25% of gross monthly earnings (7.25% of the 13th monthly salary each year).

There are no maximum earnings used to calculate contributions.

**Social insurance and mandatory individual account:** 9.25% of the first 500 balboas of gross monthly earnings to social insurance (7.25% of the 13th monthly salary each year) plus 9.25% of gross monthly earnings exceeding 500 balboas to the individual account (7.25% of the 13th monthly salary each year).

There are no maximum earnings used to calculate contributions.

Of the combined insured person and employer mandatory individual account contributions, 10% is allocated to the individual account, 2.5% to a solidarity contribution, 0.93% to collective old-age insurance, and 0.07% to collective disability insurance.

**Mandatory individual account only:** Not applicable.

**Social assistance:** None.

##### Self-employed person

**Social insurance only:** 13.5% of gross monthly declared earnings.

**Social insurance and mandatory individual account:** Not applicable.

**Mandatory individual account only:** 13.5% of 52% of gross annual earnings.

There are no maximum earnings used to calculate contributions.

Of the self-employed person's contribution, 10% is allocated to the individual account, 2.5% to a solidarity contribution, 0.93% to collective old-age insurance, and 0.07% to collective disability insurance.

**Social assistance:** None.

##### Employer

**Social insurance only:** 4.25% of gross monthly earnings (10.75% of the 13th monthly salary each year).

There are no maximum earnings used to calculate contributions.

**Social insurance and individual account:** 4.25% of the first 500 balboas of gross monthly earnings to social insurance (10.75% of the 13th monthly salary each year) plus 4.25% of gross monthly earnings exceeding 500 balboas to the individual account (10.75% of the 13th monthly salary each year).

Of the combined insured person and employer mandatory individual account contributions, 10% is allocated to the individual account, 2.5% to a solidarity contribution, 0.93% to collective old-age insurance, and 0.07% to collective disability insurance.

**Individual account only:** None.

**Social assistance:** None.

### Government

*Social insurance only:* Provides subsidies as needed.

*Social insurance and individual account:* 0.8% of all insured persons' earnings and designated taxes partially fund the administrative costs; an annual subsidy of 20.5 million balboas.

The government's contributions to social insurance also finance the administrative costs of cash sickness and maternity benefits.

*Individual account only:* None.

*Social assistance:* The total cost.

### Qualifying Conditions

#### **Old-age pension (Pensión por Vejez, social insurance):**

Age 62 (men) or age 57 (women) with at least 240 months of contributions (at least 120 months of contributions for seasonal agricultural and construction workers; no contribution requirement for self-employed persons).

Partial pension (Pensión por Vejez Proporcional): Age 62 (men) or age 57 (women) with 180 months to 239 months of contributions.

Early pension (Pensión por Vejez Anticipada): Age 60 (men) or age 55 (women) with at least 240 months of contributions.

Early partial pension (Pensión por Vejez Proporcional Anticipada): Age 60 (men) or age 55 (women) with 180 months to 239 months of contributions.

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

Dependent's supplement (Asignación Familiar): Age 62 (men) or age 57 (women) with eligible dependents.

Eligible dependents include a wife; a female partner who is pregnant, has children with the insured, or has lived with the insured for at least five years; a disabled husband, and children younger than age 14 (age 18 if a full-time student; no limit if disabled).

The social insurance old-age pension is payable abroad.

#### **Old-age pension (Pensión por Vejez, mandatory individual account):**

Age 62 (men) or age 57 (women) with at least 240 months of contributions (at least 120 months of contributions for seasonal agricultural and construction workers; no contribution requirement for self-employed persons).

Top-up benefit: Must have voluntarily enrolled in the mixed system from 2006 to 2007 with contributions on monthly earnings exceeding 500 balboas in the 12 months before enrolling in the mixed system.

The individual account old-age pension is payable abroad.

**Old-age settlement (Indemnización por Vejez, social insurance and mandatory individual account):** Age 62 (men) or age 57 (women) and does not meet the contribution requirements for an old-age pension.

**Old-age social pension (Pensión 120 a los 65, social assistance, means tested):** Age 65, assessed as needy, and not receiving any other pension.

Beneficiaries must undergo periodic medical examinations.

**Disability pension (Pensión de Invalidez, social insurance and mandatory individual account):** Must be younger than the normal retirement age, be assessed with at least a 66.7% loss of work capacity, and have at least three years of contributions, including at least 18 months in the last three years, if aged 30 or younger; at least four years of contributions, including at least two years in the last four years, if aged 31 to 40; at least five years of contributions, including at least 30 months in the last five years, if aged 41 to the normal retirement age; or at least 20 years of contributions at any age.

The assessed degree of disability may be reviewed at any time at the request of the insured or the Social Insurance Fund. The Medical Qualification Commission assesses the degree of disability.

Dependent's supplement (Asignación Familiar, social insurance): Paid for a wife; a female partner who is pregnant, has children with the insured, or has lived with the insured for at least five years; a disabled husband, and children younger than age 14 (age 18 if a full-time student; no limit if disabled).

The disability pension is payable abroad.

**Disability grant (Indemnización por Invalidez, social insurance and mandatory individual account):** Must be younger than the normal retirement age; be assessed with at least a 66.7% loss of work capacity; have at least 12 months of contributions, including at least six months in the 12 months before the disability began; and not meet the contribution requirements for a disability pension.

**Survivor pension (Pensión de Sobrevivientes, social insurance):** The deceased received or was entitled to receive a social insurance old-age or disability pension 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); a female partner who is pregnant, had children with the deceased, or had lived with the deceased for at least five years; and orphans younger than age 18 (no limit if disabled); if there are no other eligible survivors, the deceased's dependent mother, or his or her aged or disabled dependent father.

The social insurance survivor pension is payable abroad.

**Survivor pension (Pensión de Sobrevivientes, mandatory individual account):** The deceased has an account balance.

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

The individual account survivor pension is payable abroad.

**Survivor grant (Indemnización de Sobrevivientes, social insurance):** The insured deceased did not receive or was not entitled to receive a social insurance old-age or disability pension at the time of death.

**Funeral grant (Auxilio de Funeral, social insurance):** The deceased received or was entitled to receive a social insurance old-age or disability pension at the time of death, or had at least six months of contributions in the 12 months before death.

### Old-Age Benefits

**Old-age pension (Pensión por Vejez, social insurance):** 60% of the insured's average monthly earnings in the best 10 years of earnings plus 1.25% of average monthly earnings for every 12 months of contributions exceeding 20 years is paid.

For seasonal agricultural and construction workers, 60% of the insured's average monthly earnings in the best 10 years of earnings multiplied by the number of months of contributions divided by 180 is paid. The maximum annual earnings used to calculate benefits for seasonal agricultural and construction workers is 3,500 balboas.

The minimum monthly old-age pension is 255 balboas. There is no minimum old-age pension for seasonal agricultural and construction workers.

The maximum monthly old-age pension for social insurance only is 1,500 balboas (2,000 balboas with at least 25 years of contributions and average monthly earnings of at least 2,000 balboas in the last 15 years of contributions, or 2,500 balboas with at least 30 years of contributions and average monthly earnings of at least 2,500 balboas in the 20 best years of earnings).

The maximum monthly old-age pension for the social insurance component of the mixed system is 500 balboas.

**Partial pension (Pensión por Vejez Proporcional):** 60% of the insured's average monthly earnings in the best 10 years of earnings multiplied by the number of months of contributions divided by 240 is paid.

**Early pension (Pensión por Vejez Anticipada):** The old-age pension is reduced by 8.72% if it is claimed one year before the normal retirement age or by 16.58% if it is claimed two years before the normal retirement age.

**Early partial pension (Pensión por Vejez Proporcional Anticipada):** The partial pension is reduced by 8.72% if it is claimed one year before the normal retirement age or by 16.58% if it claimed two years before the normal retirement age.

**Deferred pension:** The old-age pension (as calculated above) plus 2% of the insured's average monthly earnings in the best 10 years of earnings for each year of contributions after the normal retirement age is paid.

**Dependent's supplement (Asignación Familiar):** 20 balboas a month is paid for an eligible wife, female partner, or a husband with a disability; 10 balboas a month for each eligible child.

The maximum monthly dependent's supplement is 100 balboas.

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

**Old-age pension (Pensión por Vejez, mandatory individual account):** The insured's account balance divided by an actuarial value linked to life expectancy is paid as programmed withdrawals. If the pensioner lives beyond the estimated life expectancy and the individual account is depleted, collective old-age insurance tops up the account balance.

**Top-up benefit:** A monthly benefit is paid based on the amount the insured contributed on monthly earnings exceeding 500 balboas before switching to the mixed system.

**Old-age settlement (Indemnización por Vejez, social insurance):** A lump sum of one month of the old-age pension is paid for every six months of contributions.

**Old-age settlement (Indemnización por Vejez, mandatory individual account):** A lump sum of the account balance is paid.

**Old-age social pension (Pensión 120 a los 65, social assistance, means tested):** 120 balboas a month is paid.

### Permanent Disability Benefits

**Disability pension (Pensión de Invalidez, social insurance):** 60% of the insured's average monthly earnings in the best 10 years of earnings (or over the total contribution period if less than 10 years) plus 1.25% of average monthly earnings for every year of contributions exceeding 20 years is paid for two years. If the pension is extended beyond two years, it is paid for life.

The minimum monthly disability pension is 255 balboas.

The maximum monthly disability pension for social insurance only is 1,500 balboas (2,000 balboas with at least 25 years of contributions and average monthly earnings of at least 2,000 balboas in the last 15 years of contributions, or 2,500 balboas with at least 30 years of contributions and average monthly earnings of at least 2,500 balboas in the 20 best years of earnings).

The maximum monthly disability pension for the social insurance component of the mixed system is 500 balboas.

**Dependent's supplement (Asignación Familiar, social insurance):** 20 balboas a month is paid for an eligible wife,

female partner, or a husband with a disability; 10 balboas a month for each eligible child.

The maximum monthly dependent's supplement is 100 balboas.

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

**Disability pension (Pensión de Invalidez, mandatory individual account):** The insured's account balance divided by an actuarial value linked to life expectancy is paid in programmed withdrawals.

If the combined social insurance and 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.

**Disability grant (Indemnización por Invalidez, social insurance):** A lump sum of one month of the disability pension is paid for every six months of contributions.

**Disability grant (Indemnización por Invalidez, mandatory individual account):** A lump sum of the account balance is paid.

### Survivor Benefits

**Survivor pension (Pensión de Sobrevivientes, social insurance)**

*Spouse's pension (Pensión de viudez):* 50% of the social insurance old-age or disability pension the deceased received or was entitled to receive is paid to a widow(er).

*Orphan's pension (Pensión de orfandad):* 20% of the social insurance old-age or disability pension the deceased received or was entitled to receive is paid for each eligible orphan; 50% for a full orphan.

*Other dependent's pension (Otras pensiones de sobrevivientes):* 30% of the social insurance old-age or disability pension the deceased received or was entitled to receive is paid to an eligible parent.

The minimum monthly survivor pension is 120 balboas.

The maximum combined survivor pension is 100% of the social insurance old-age or disability pension the deceased received or was entitled to receive.

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

**Survivor pension (Pensión de Sobrevivientes, mandatory individual account):** The total account balance is paid to eligible survivors as programmed withdrawals.

**Survivor grant (Indemnización de Sobrevivientes, social insurance):** A lump sum of one month of the social insurance old-age or disability pension the deceased received or was entitled to receive is paid for every six months of contributions.

**Funeral grant (Auxilio de Funeral, social insurance):** A lump sum of 300 balboas is paid to the person who paid for the funeral.

### Administrative Organization

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

Ministry for Social Development (MIDES) (<http://www.mides.gob.pa/>) administers the noncontributory pension.

### Sickness and Maternity

---

#### Regulatory Framework

**First law:** 1941 (social insurance fund).

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

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

#### Coverage

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

Voluntary coverage for persons not subject to mandatory coverage, employees of international organizations and foreign diplomatic missions working in Panama, and caregivers.

#### Source of Funds

##### Insured person

**Cash benefits:** 0.5% of gross monthly earnings; 0.5% of monthly declared earnings for the voluntarily insured.

**Medical benefits:** None for employees; 6.75% of the monthly pension for pensioners; 8% of gross monthly earnings for the voluntarily insured.

The minimum monthly earnings used to calculate contributions are the legal monthly minimum wage; 100 balboas a month for household workers; 300 balboas a month for the voluntarily insured.

The legal monthly minimum wage varies depending on industry, region, and company size.

There are no maximum earnings used to calculate contributions.

##### Self-employed person

**Cash benefits:** 0.5% of monthly declared earnings.

**Medical benefits:** 8% of monthly declared earnings.

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

The legal monthly minimum wage varies depending on industry, region, and company size.

There are no maximum earnings used to calculate contributions.

### Employer

**Cash benefits:** None.

**Medical benefits:** 8% of gross monthly payroll.

The minimum monthly earnings used to calculate contributions are the legal monthly minimum wage; 100 balboas a month for household workers; 300 balboas a month for the voluntarily insured.

The legal monthly minimum wage varies depending on industry, region, and company size.

There are no maximum earnings used to calculate contributions.

### Government

**Cash benefits:** See Source of Funds under Old Age, Disability, and Survivors.

**Medical benefits:** None; contributes as an employer. (A provision in the law to contribute 10% of the income received from the sale of rights to fiber optic business operations has not yet been implemented.)

### Qualifying Conditions

**Cash sickness benefit (Subsidio por Enfermedad):** Must have at least six months of contributions in the last nine months before the incapacity began.

**Cash maternity benefit (Subsidio por Maternidad):** Must have at least nine months of contributions in the year before the seventh month of pregnancy.

**Medical benefits (Atención Médica):** Must be currently insured or a pensioner; there is no minimum qualifying period. If the insured becomes unemployed, coverage continues for three months after employment ceases (two years if the insured has at least 20 years of contributions).

Eligible dependents include the insured's wife or partner who has lived with the insured for at least nine months and is economically dependent on him or her; children younger than age 18 (age 25 if a student, no limit if disabled); a dependent father aged 60 or older (at any age if disabled); and a dependent mother aged 50 or older (at any age if disabled).

### Sickness and Maternity Benefits

**Sickness benefit (Subsidio por Enfermedad):** 70% of the insured's average daily earnings in the two months before the incapacity began is paid from the fourth day of incapacity for up to 26 weeks for the same illness.

There is no minimum or maximum sickness benefit.

**Maternity benefit (Subsidio por Maternidad):** 100% of the insured's average weekly earnings in the last nine

months is paid for up to six weeks before and eight weeks after the expected date of childbirth.

### Workers' Medical Benefits

**Medical benefits (Atención Médica):** Benefits include general and specialist care, surgery, hospitalization, laboratory and X-ray services, medicine, maternity care, dental care, dental prosthesis, and appliances.

### Dependents' Medical Benefits

**Medical benefits (Atención Médica):** Benefits for dependents are the same as those for the insured.

### Administrative Organization

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

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

### Work Injury

#### Regulatory Framework

**First law:** 1916 (work injury).

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

**Type of program:** Employer-liability system through a public carrier.

#### Coverage

Public- and private-sector employees, including civil servants, employees of local governments, and unpaid apprentices.

Exclusions: Self-employed persons and household workers.

#### Source of Funds

**Insured person:** None.

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

**Employer:** The total cost (pays insurance premiums that vary depending on the assessed degree of risk).

**Government:** None; contributes as an employer.

#### Qualifying Conditions

Must be assessed with a work injury or occupational disease. There is no minimum qualifying period. Accidents that occur while commuting to and from work are covered.

#### Temporary Disability Benefits

100% of the insured's average monthly earnings in the last two months before the disability began is paid for the first

## Panama

---

two months; thereafter, 60% is paid until recovery or certification of permanent disability.

### **Permanent Disability Benefits**

For a total (100%) disability, 60% of the insured's average monthly earnings in the 12 months before the disability began is paid for two years. If the pension is extended beyond two years or the insured reaches age 60 (men) or age 55 (women) while receiving the permanent disability pension, the pension is paid for life.

The minimum monthly permanent disability pension for is 255 balboas.

The maximum monthly permanent disability pension is 1,500 balboas.

**Partial disability:** For an assessed degree of disability of at least 35% but less than 100%, a percentage of the full permanent disability pension is paid based on the assessed degree of disability. For an assessed degree of disability of less than 35%, a lump sum of three years of the full permanent disability pension is paid.

The Medical Assessment Commission assesses the disability.

The permanent disability pension is payable abroad.

### **Workers' Medical Benefits**

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

### **Survivor Benefits**

#### **Survivor pension**

**Spouse's pension:** 25% of the deceased's average monthly earnings in the last 12 months is paid to a widow or female partner; 30% if the widow or female partner is the sole beneficiary or disabled.

**Orphan's pension:** 15% of the deceased's average monthly earnings in the last 12 months is paid for one orphan younger than age 18 (no age limit if disabled); 25% for two orphans; 35% for three orphans; or 40% for four or more orphans. If there is no widow(er), 20% of the deceased's average monthly earnings is paid for one orphan; 15% each for two or more full orphans. If there is more than one eligible orphan, the pension is split equally among them.

**Other dependent's pension:** If there are no other eligible survivors, 20% to 30% of the deceased's average monthly earnings in the last 12 months is paid to a mother for up to 10 years; 10% to a father who is aged 60 or older or disabled. The deceased's dependent sibling(s) younger than age 18 (no limit if disabled) receive the same amount as an orphan would receive for up to six years.

The maximum combined survivor pension is 75% of the deceased's earnings.

The survivor pension is payable abroad.

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

### **Administrative Organization**

Social Insurance Fund (<http://www.css.gob.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**

---

#### **Regulatory Framework**

**First and current law:** 1995 (labor code).

**Type of program:** Mandatory individual account system.

#### **Coverage**

Private-sector employees with permanent contracts working in firms with at least five workers.

**Exclusions:** Public-sector employees and self-employed persons.

#### **Source of Funds**

**Insured person:** None; voluntary contributions are possible.

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

**Employer:** 2.25% of quarterly payroll. Contributions are paid every three months.

**Government:** None.

#### **Qualifying Conditions**

Paid if the insured's service with an employer ceases.

**Loan program:** The insured can take loans against his or her account balance to purchase housing or property, regardless of the employment status.

#### **Unemployment Benefits**

The total account balance is paid.

**Loan program:** A portion of the account balance may be used as collateral against a loan from an approved lending institution.

If the insured dies, a portion of the account balance may be paid to his or her eligible survivor(s).

Eligible survivors include, in order of priority, orphans younger than age 18, a widow(er) or common-law spouse who was living with the deceased at the time of death, and the deceased's parents.

## Administrative Organization

Superintendent of Banks of Panama (<https://www.superbancos.gob.pa/>) provides general and regulatory supervision.

Banks, private insurers, and investment companies administer the individual accounts.

## Family Allowances

### Regulatory Framework

**First and current laws:** 2007 (social assistance), 2010 (education allowances), and 2012 (social assistance for disabled people).

**Type of program:** Universal and social assistance system.

### Coverage

**Universal:** Citizens of Panama.

**Social assistance (disability cash transfer):** Citizens of Panama and their children.

**Social assistance (family cash transfer):** Needy families.

### Source of Funds

**Insured person:** None.

**Self-employed person:** None.

**Employer:** None.

**Government:** The total cost.

### Qualifying Conditions

**School cash transfer (Beca Universal, universal):** Paid for children attending primary, lower secondary, and upper secondary school. Students in primary school must have passed the previous school year. Students in lower secondary school (ages 12 to 15) must pass all subjects to receive the monthly benefit. Students at all levels must have a grade point average of at least 3.0, undergo medical check-ups; and receive all required vaccinations.

**Disability cash transfer (Ángel Guardián, social assistance, income tested):** Paid to persons with severe disabilities who need constant attendance and live in conditions of extreme poverty. The beneficiary and his or her family must meet certain requirements related to health, education, and psychological support.

**Income test:** Monthly family income must be below the cost of the basic food basket (308.25 balboas a month in Panama City and San Miguelito or 286.42 balboas a month in the rest of the country as of August 2019).

**Family cash transfer (Red de Oportunidades, social assistance, means tested):** Paid to families with children younger than age 18 who meet certain health and education-related conditions or have family members aged 60 to 64 or with disabilities.

Children younger than age 5 and pregnant and nursing women must undergo prescribed medical examinations and meet the vaccination requirements. Children aged 5 to 17 must be enrolled in school and have at least an 85% registered attendance rate.

**Means test:** Monthly family income must be below the cost of the basic food basket (308.25 balboas a month in Panama City and San Miguelito or 286.23 balboas a month in the rest of the country in August 2019). Must be assessed as needy based on the Social Vulnerability Survey (Encuesta de Vulnerabilidad Social–EVS).

The EVS is a targeting system used to identify poor and vulnerable households based on their income, consumption patterns, housing conditions, geographical location.

### Family Allowance Benefits

**School cash transfer (Beca Universal, universal):** 30 balboas a month (270 balboas a year) is paid for an eligible student aged 6 to 11 attending primary school; 40 balboas a month (360 balboas a year) for a student aged 12 to 15 attending lower secondary school; 50 balboas a month (450 balboas a year) for a student aged 15 to 18 attending upper secondary school.

**Disability cash transfer (Ángel Guardián, social assistance, income tested):** 80 balboas a month is paid.

**Schedule of payments:** The benefit is paid every two months to the head of the family.

**Family cash transfer (Red de Oportunidades, social assistance, means tested):** 50 balboas a month is paid.

**Schedule of payments:** The benefit is paid every two months.

### Administrative Organization

Institute for Training and Human Resources (IFARHU) (<https://www.ifarhu.gob.pa/>) administers the school cash transfer program.

Ministry for Social Development (MIDES) (<http://www.mides.gob.pa/>) administers the disability and family cash transfer programs.