

## El Salvador

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

### Old Age, Disability, and Survivors

#### Regulatory Framework

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

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

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

Note: A system of mandatory individual accounts was introduced in 1998. Workers entering the labor force after April 30, 1999, must join the new system. The social insurance system is being phased out.

#### Coverage

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

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

**Social insurance:** All insured persons who were older than age 55 (men) or age 50 (women) in 1998.

Voluntary coverage for those who were aged 36 or older in 1998.

#### Source of Funds

##### Mandatory individual account

**Insured person:** 6.25% of covered earnings, plus up to a maximum of 1.28% of earnings for disability and survivor insurance and up to a maximum of 1.71% of earnings for administrative fees.

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage (US\$174.30).

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

**Self-employed person:** A voluntary contribution of 13% of declared covered earnings, plus up to a maximum of 2.7% of declared covered earnings for disability and survivor insurance and for administrative fees.

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage (US\$174.30).

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

**Employer:** 4.05% of covered payroll, plus up to a maximum of 2.7% of covered payroll for disability and survivor insurance and for administrative fees.

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage (US\$174.30).

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

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

#### Social insurance

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

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

**Employer:** 7% of payroll.

**Government:** The government finances an indexed bond provided to individuals covered by the mandatory individual account system. (The bond represents the value of the insured's contributions to the old social insurance system plus interest.)

#### Qualifying Conditions

##### Mandatory individual account

**Old-age pension:** Age 60 (men) or age 55 (women) with 25 years of contributions. Retirement is permitted before the normal retirement age if the pension is at least equal to 60% of the base salary (average earnings in the last 120 months of contributions) and 160% of the current minimum pension.

Guaranteed minimum pension: Age 60 (men) or age 55 (women) with 25 years of contributions. The pension (based on the value of the accumulated capital plus accrued interest) is less than the minimum pension set by law and the insured has no other income.

**Disability pension:** The insured was actively contributing to an individual account before the disability began and had at least 6 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 who had made at least 6 months of contributions in the 12-month period before the last contribution.

The degree of loss in working capacity is assessed by the Disability Commission.

Guaranteed minimum pension: The insured had 10 years of contributions; 3 years of contributions in the 5 years before the disability began (resulting from a disease); the insured was actively contributing to an individual account before the disability began (as the result of an accident) and had at least 6 months of contributions in the 12 months before

the disability began. The pension (based on the value of the accumulated capital plus accrued interest) is less than the minimum pension set by law.

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

*Survivor pension:* The insured was actively contributing to an individual account at the time of death and had at least 6 months of contributions in the 12 months before death; unemployed persons who died in the 12-month period following the last contribution who had made at least 6 months of contributions in the 12-month period before the last contribution.

Eligible survivors are the deceased's spouse or cohabiting partner, children younger than age 18 (age 24 if a student, no limit if disabled), and dependent parents.

Guaranteed minimum pension: The deceased had 10 years of contributions; 3 years of contributions in the 5 years before death; the insured was actively contributing to an individual account, had at least 6 months of contributions in the 12-month period before death, and his or her death was the result of an accident. The survivor pension (based on the value of the accumulated capital plus accrued interest) is less than the minimum pension set by law.

### **Social insurance**

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

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

The degree of disability is assessed by the Disability Commission.

*Survivor pension:* The deceased was a pensioner or had at least 5 years of contributions; 10 years with no contributions in the last 12 months.

### **Old-Age Benefits**

#### **Mandatory individual account**

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

Guaranteed minimum pension: US\$119.70 a month.

### **Social insurance**

*Old-age pension:* The pension is equal to 30% of the base salary for the first 3 years' contributions, plus 1.5% for each additional year.

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

The minimum monthly pension is US\$119.70.

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

### **Permanent Disability Benefits**

#### **Mandatory individual account**

*Disability pension:* If assessed with a total loss in working capacity (66% or more), the pension is equal to 70% of the base salary. (Disability insurance tops-up the accumulated capital in the individual account if the balance is less than the required minimum to finance the permanent disability pension.)

Constant-attendance supplement: Equal to 20% of the pension.

Partial disability: With an assessed loss in working capacity of 50% to 65%, the pension is equal to 50% of the base salary.

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

Guaranteed minimum pension: US\$119.70 a month for a total disability; US\$83.79 a month for a partial disability.

The minimum disability pension is replaced by the minimum old-age pension at the normal retirement age.

### **Social insurance**

*Disability pension:* The pension is equal to 30% of the base salary for the first 3 years' contributions, plus 1.5% for each additional year.

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

The minimum monthly pension is US\$119.70.

The minimum disability pension is replaced by the minimum old-age pension at the normal retirement age.

### **Survivor Benefits**

#### **Mandatory individual account**

*Survivor pension:* 50% of the deceased's pension is paid to a spouse (or partner) with children; 60% if there are no eligible children. (Life insurance tops-up the accumulated capital in the deceased's individual account if the balance is less than the required minimum to finance the survivor pension.)

*Orphan's pension:* Each eligible child receives 25% of the deceased's pension; 40% for full orphans.

**Parent's pension:** Each parent receives 20% of the deceased's pension; 30% if there is only one surviving parent; 80% if there are no other survivors.

Guaranteed minimum pension: US\$119.70 a month.

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

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

### Social insurance

**Survivor pension:** 50% of the deceased's pension is paid to a widow who was married to the insured for at least 6 months (or who is pregnant or had a child with the deceased) or is disabled, a female partner who cohabited with the deceased for the last 3 years (or who is pregnant or had a child with the deceased) or is disabled, or a disabled widower.

**Orphan's pension:** Each eligible child receives 25% of the deceased's pension; 40% for a full orphan.

**Other eligible survivors (in the absence of the above):** 30% of the deceased's pension is paid to a mother aged 55 or older; 30% to a father aged 60 or older; 40% if there is only one surviving eligible parent.

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

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

### Administrative Organization

**Mandatory individual account:** Superintendent of Pensions (<http://www.spensiones.gob.sv>) provides general supervision.

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

**Social insurance:** Superintendent of Pensions (<http://www.spensiones.gob.sv>) provides general supervision.

Supervised by a board of 12 directors including the Minister of Labor, representatives of other ministries, the Director of Social Insurance, and representatives of management, labor, and other professional groups, the Social Insurance Institute plans, manages, and administers the program.

### Sickness and Maternity

#### Regulatory Framework

**First law:** 1949.

**Current laws:** 1953 and 1993.

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

### Coverage

Employed and self-employed persons in industry and commerce and pensioners.

Exclusions: Agricultural, domestic, and casual employees.

### Source of Funds

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

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage (US\$174.30).

The maximum earnings for contribution purposes are US\$685.71.

The insured's contributions also finance work injury benefits.

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

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage (US\$174.30).

The maximum earnings for contribution purposes are US\$685.71.

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

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

The minimum earnings for contribution purposes are equal to the legal monthly minimum wage (US\$174.30).

The maximum earnings for contribution purposes are US\$685.71.

The employer's contributions also finance work injury benefits.

**Government:** An annual subsidy.

The government subsidy also finances work injury benefits.

### Qualifying Conditions

**Cash sickness benefits:** The insured is currently employed. There is no minimum qualifying period.

**Cash maternity benefits:** The insured 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; if unemployed, 8 weeks of contributions in the last 4 months.

### Sickness and Maternity Benefits

**Sickness benefit:** The benefit is equal to 75% of average monthly earnings and is paid after a 3-day waiting period for up to 26 weeks for the same incapacity; may be extended up to 52 weeks.

**Maternity benefit:** The benefit is equal to 75% of average earnings and is paid for up to 12 weeks; other benefits include a milk allowance for up to 12 weeks (with a medical prescription) and a layette (clothing and other necessities for the newborn).

### **Workers' Medical Benefits**

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

### **Dependents' Medical Benefits**

The insured's wife receives prenatal and postnatal care and in-kind benefits and medical and dental benefits. Children up to age 12 receive basic medical care.

### **Administrative Organization**

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

### **Work Injury**

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#### **Regulatory Framework**

**First law:** 1949.

**Current laws:** 1953 and 1993.

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

#### **Coverage**

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

Exclusions: Domestic and casual employees, rural workers, and teachers.

#### **Source of Funds**

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

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

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

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

### **Qualifying Conditions**

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

### **Temporary Disability Benefits**

The benefit is equal to 75% of the insured's average monthly earnings in the first 3 of the last 4 months. The benefit is paid from the day after the disability began for up to 52 weeks.

### **Permanent Disability Benefits**

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

The minimum monthly pension is US\$83.79.

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

Partial disability: If the assessed degree of disability is between 35% and 66%, a percentage of the full pension is paid according to the assessed degree of disability. If the assessed degree of disability is between 20% and 34%, a pension equal to double the amount of the permanent disability pension based on the assessed degree of disability is paid for a limited period of up to 3 years.

### **Workers' Medical Benefits**

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

### **Survivor Benefits**

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

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

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

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

### **Administrative Organization**

Supervised by a board of 12 directors including the Minister of Labor, representatives of other ministries, the Director of Social Insurance, and representatives of management, labor, and other professional groups, the Social Insurance Institute plans, manages, and administers the program.

Social Insurance Institute operates its own clinics and hospitals.