

## Latvia

Exchange rate: U.S.\$1.00 equals 0.63 lats.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1922.

**Current laws:** 1995, 1996, 1998, and 2001.

**Type of program:** Dual notional defined contribution (NDC) social insurance system and mandatory individual accounts.

Note: A system of second pillar individual accounts is mandatory for individuals who were under age 30 in 2001 and voluntary for those who were between ages 30 and 49 in 2001.

#### Coverage

**Old-age and survivor pensions:** Employed persons, self-employed persons, active military personnel, individuals caring for children less than 18 months old, unemployed persons, diplomatic staff spouses, and sickness and maternity benefit recipients.

Voluntary coverage if not subject to compulsory social insurance.

**Disability pension:** Employed and self-employed persons.

#### Source of Funds

##### Insured person

**NDC:** Included in employer's contribution.

**Individual account:** 2% of earnings, rising gradually to 10% by 2010.

##### Employer

**NDC:** 20% of payroll, decreasing gradually to 10% by 2010 (includes employee contribution).

**Individual account:** None.

**Government:** Contributes for active military personnel, individuals caring for children less than 18 months old, and spouses of diplomatic staff.

#### Qualifying Conditions

**Old-age pension:** Age 61.5 (men) or age 58.5 (women) with 10 years of insurance. The age requirement will increase, by 6 months each year, to age 62 for both men and women by 2003 and 2009, respectively.

Early retirement at age 60 (men) or age 56.5 (women) with 30 years of insurance.

**Disability pension:** 3 years of insurance.

**Survivor pension:** Deceased was insured or was a pensioner at time of death.

#### Old-Age Benefits

**Old-age pension (NDC):** The amount of the insured's contributions plus annual capital growth adjusted according to changes in the earnings index divided by the average remaining life expectancy.

Minimum pension is equal to the state social security allowance of 30 lats. The minimum pension is increased by 1.1% for an insurance period of at least 20 years; by 1.3% for an insurance period of 20 to 30 years; by 1.5% and for an insurance period of more than 30 years.

**Old-age pension (individual account):** The pension is based on the amount of the insured's contributions plus annual capital growth. At retirement, the insured can purchase an annuity or have the funds transferred into the insured's NDC account.

#### Permanent Disability Benefits

**Disability pension:** Disability pension is granted according to three categories of disability.

Category I: 0.45 times the average wage in 3 consecutive of last 5 years, plus average wage times ratio of actual contribution years to total possible number of years between age 15 and retirement.

Minimum is 1.6 times the minimum state social security benefit.

Category II: 0.4 times the average wage in 3 consecutive of last 5 years, plus average wage times ratio of actual contribution years to total possible number of years between age 15 and retirement.

Minimum is 1.4 times the minimum state social security benefit.

Category III: Minimum state social security benefit, 30 lats.

#### Survivor Benefits

**Survivor pension:** 50% of potential old-age pension of insured for one survivor; 75% for two survivors; 90% for three or more. Payable to children and to dependent brothers, sisters, and grandchildren. The full-orphan's pension is based on the potential old-age pensions of both parents.

Minimum survivor pension is equal to state social security benefit.

#### Administrative Organization

Ministry of Welfare handles general supervision.

State Social Insurance Agency and its local offices grant and pay cash benefits.

#### Sickness and Maternity

##### Regulatory Framework

**First law:** 1924.

**Current law:** 1995.

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

### Coverage

**Sickness benefit:** Employed and self-employed persons.

**Medical benefit:** All permanent residents.

### Source of Funds

**Insured person and employer:** 2.24% of payroll.

**Government:** Covers payment for minimum health care services.

### Qualifying Conditions

**Sickness benefits and medical care:** No minimum qualifying period for receipt of benefits.

### Sickness and Maternity Benefits

**Sickness benefit:** 80% of average earnings.

Payable from the 15th day of incapacity for work until recovery or, if declared permanently disabled, up to 52 weeks from day of incapacity for work or 78 weeks within a 3-year period if the incapacity for work reoccurs. Benefit is payable from the first day if caring for child younger than 14 years.

Employer pays for 2nd to 14th day of incapacity.

**Maternity benefit:** 100% of average earnings. Payable for 112 calendar days (56 days before and 56 days after the expected date of childbirth). Payable for 14 additional calendar days for complications during pregnancy, delivery, or postdelivery period as well as for multiple births and in cases in which medical care associated with pregnancy has been started at a medical institution and continued before the 12th week of pregnancy.

### Administrative Organization

Ministry of Welfare handles general supervision.

State Social Insurance Agency and its local offices grant and pay cash benefits.

State Health Insurance Agency manages medical care.

### Work Injury

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#### Regulatory Framework

**First law:** 1927.

**Current laws:** 1995 and 1998.

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

#### Coverage

Employed persons.

### Source of Funds

**Insured person:** None.

**Employer:** 0.09% of payroll.

**Government:** Financing of state-guaranteed health care services.

### Qualifying Conditions

**Work injury benefits:** No minimum qualifying period.

### Temporary Disability Benefits

**Temporary disability benefit:** 80% of average earnings.

Payable from the 15th day of incapacity for work until recovery or, if declared permanently disabled, up to 52 weeks from day of incapacity for work or 78 weeks within a 3-year period if the incapacity for work reoccurs. Benefit is payable from the first day if caring for child younger than 14 years.

Employer pays for 2nd to 14th day of incapacity.

### Permanent Disability Benefits

**Permanent disability benefit:** Percentage of insured's average monthly earnings depending on degree of disability: 80% for 100% loss of earning capacity, up to 75% if loss is 90% to 99%, up to 70% if loss is 80% to 89%. Thereafter, entitlement decreases by 5% for each successive reduced degree of disability down to a minimum of 25% if loss is 10% to 14%.

### Workers' Medical Benefits

**Medical benefits:** Same as for sickness benefit, plus reimbursement for additional expenses for medical treatment, nursing care, prosthesis, escort, travel expenses, and occupational rehabilitation.

### Survivor Benefits

**Survivor pension:** 25% of the average monthly earnings of the deceased for one survivor, up to 35% for two survivors, up to 45% for three, up to 55% for four or more.

Higher percentage for orphans.

Payable to children and to dependent brothers, sisters, grandchildren, surviving spouse, parents, and grandparents.

### Administrative Organization

Ministry of Welfare handles general supervision.

State Social Insurance Agency and local insurance offices grant and pay insurance-based and related benefits.

### Unemployment

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#### Regulatory Framework

**First law:** 1991.

**Current law:** 1999.

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

### **Coverage**

Employed and self-employed persons, active military personnel, and individuals taking care of children under 18 months old.

### **Source of Funds**

**Insured person and employer:** 1.90% of payroll.

**Government:** Contributes for active military personnel and for individuals taking care of children under 18 months old.

### **Qualifying Conditions**

**Unemployment benefit:** Registration at state employment office, total insurance contributions not less than 1 year, 9 months of insurance contributions in the 12 months before registering as unemployed.

### **Unemployment Benefits**

**Unemployment benefit:** Determined according to the length of insurance contributions and the length of unemployment: 1 to 9 years of insurance, 50% of earnings; 10 to 19 years, 55%; 20 to 29 years, 60%; over 30 years, 65%. Full amount is paid for the first 3 months, 75% for 3 to 6 months, and 60% for 6 to 9 months.

### **Administrative Organization**

Ministry of Welfare handles general supervision.

State Social Insurance Agency and local insurance offices grant and pay benefits.

State Employment Service and local employment offices handle placement, training, and retraining.

### **Family Allowances**

#### **Regulatory Framework**

**First law:** 1990.

**Current laws:** 1995 and 1998.

**Type of program:** Universal coverage.

#### **Coverage**

Permanent residents with a child of prescribed age.

#### **Source of Funds**

**Insured person:** None.

**Employer:** None.

**Government:** Total cost.

### **Qualifying Conditions**

**Family allowances:** Child under 15 years (20 years if at secondary school).

### **Family Allowance Benefits**

**Family allowances:** 20% of monthly state social security allowance for the first child, 1.2 times the amount awarded for the first child for the second, 1.6 times for the third, 1.8 times for the fourth and subsequent children.

### **Administrative Organization**

Ministry of Welfare handles general supervision.

State Social Insurance Agency and local insurance offices grant and pay benefits.