

## Luxembourg

Exchange rate: U.S.\$1.00 equals 1.12 euros (€).

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First laws:** 1911 (wage earners) and 1931 (salaried employees).

**Current law:** 1992.

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

#### Coverage

All economically active persons in the private and public sectors including self-employed persons.

General system for the private sector.

Special systems for railway and public employees who entered employment before January 1, 1999.

Special systems for railway and public employees who entered employment on or after January 1, 1999. These special systems are similar to the general system.

#### Source of Funds

**Insured person:** 8% of earnings.

**Employer:** 8% of payroll.

**Government:** 8% of earnings.

The minimum amount for contribution and benefit calculation purposes is 100% of the social minimum wage (•1,290.22 per month); the maximum amount is five times the social minimum wage (•6,451.09 per month).

#### Qualifying Conditions

**Old-age pension:** Age 65 (men and women) and 120 months of mandatory, voluntary, or deemed coverage.

An early old-age pension is payable at age 60 with 480 months of paid or deemed coverage and at least 120 months of mandatory coverage. An early pension is also payable at age 57 with 480 months of paid coverage. Retirement is necessary.

Retirement may be deferred to age 68; a partial pension, combined with part-time employment, is also possible.

**Disability pension:** Under age 65. Inability to perform former occupation or any other similar occupation; 12 months of coverage during the 3 years before the onset of disability. No minimum qualifying period in case of disability resulting from an accident.

**Survivor pension:** 12 months of coverage in the 3 years before the insured's death or if the insured was a pensioner at the time of death.

#### Old-Age Benefits

**Old-age pension:** •270.87 per month if insured for 40 years. Benefit is reduced by 1/40 for each year less than 40, plus an annual increment equal to 1.78% of adjusted lifetime covered earnings.

The minimum pension is •1,108.10 per month if insured for 40 years; the pension is reduced by 1/40 for each year less than 40. A minimum pension is not payable if insured for less than 20 years.

The maximum pension is •5,130.08 per month.

**Benefit adjustment:** Benefits are automatically indexed to changes in the cost of living and periodically adjusted according to changes in wages.

#### Permanent Disability Benefits

**Disability pension:** •270.87 per month if insured for 40 years. Benefit is reduced by 1/40 for each year less than 40, plus an annual increment equal to 1.78% of adjusted lifetime covered earnings. The disability pension also includes prospective coverage. If disability occurs before age 55, additional increments are calculated for the period between the date of disability and age 55 on the imputed average earnings of the insured from age 25 to the date of the disability onset.

The minimum disability pension is •1,108.10 a month if the insured has 40 years of effective or prospective insurance.

**Benefit adjustment:** Benefits are automatically indexed to changes in cost of living and periodically adjusted according to changes in wages.

#### Survivor Benefits

**Survivor pension:** 100% of the basic component of the insured's old-age pension, plus 75% of the increment earned by the insured. The concurrent drawing of a survivor pension and earnings or other personal pension is subject to a limit.

Payable to the spouse, including a divorced spouse, on the basis of years of marriage and number of contributions without regard to personal income.

**Orphan's pension:** 33% of the basic component of the insured's basic pension, plus 25% of the increment earned by the insured. Full orphans receive a double pension.

The maximum survivor pension is 100% of the total pension of the insured.

**Benefit adjustment:** Benefits are automatically indexed to changes in cost of living and periodically adjusted according to changes in wages.

#### Administrative Organization

Ministry of Social Security provides general supervision.

Old Age and Invalidation Insurance Institution administers the program for wage earners; managed by an employee-employer governing body and chaired by a government official.

Private Salaried Employees' Pension Fund administers the program for salaried employees; managed by an employee-employer governing body and chaired by a government official.

Pension Fund for self-employed artisans, merchants, and manufacturers administers the program for self-employed persons; managed by a governing body made up of representatives of the various self-employed groups.

Agricultural Pension Fund administers program for farmers; managed by a governing body of representatives of the agricultural profession.

Public Employees Administration administers the program for civil servants.

### **Sickness and Maternity**

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#### **Regulatory Framework**

**First law:** 1901.

**Current laws:** 1992 and 1998.

**Type of program:** Social insurance system. Cash and medical benefits.

#### **Coverage**

All employees and social security beneficiaries. Special systems for self-employed persons, artisans, and farmers (cash sickness and maternity benefits).

Voluntary membership in the sickness fund for those without compulsory coverage.

#### **Source of Funds**

**Insured person:** 4.90% (blue-collar workers) or 2.65% (white-collar workers) of earnings. Pensioners contribute 2.55% of pension and an additional 1% of taxable income for dependents.

**Employer:** 4.90% (blue-collar workers) and 2.65% (white-collar workers) of payroll. Pension insurance institutions contribute 2.55% of pensions paid.

**Government:** Subsidies represent around 35% of contributions. Covers the total cost of maternity allowances.

The maximum earnings level for contribution purposes is five times national minimum wage (•1,290.22 per month).

#### **Qualifying Conditions**

**Cash sickness, medical, and dependency benefits:** Membership in sickness fund.

**Cash maternity benefit:** Membership in the fund 6 months in year prior to expected date of childbirth.

#### **Sickness and Maternity Benefits**

**Cash sickness benefit:** 100% of earnings, payable for up to 52 weeks from the first day of absence.

**Cash maternity benefit:** 100% of earnings, payable for 8 weeks before and 8 weeks after the expected date of childbirth (12 weeks if there are complications or multiple births or if the mother is nursing her child).

Parental leave of 8 weeks available upon the adoption of a child.

**Maternity allowance:** A lump-sum allowance of •2,812.40 payable for a total of 16 weeks to persons who have no loss of income while on maternity leave.

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

**Medical benefits:** Free choice of service provider. Services provided by doctors and hospitals under collective agreements, according to established schedule of fees.

Medical benefits include general and specialist care, hospitalization, laboratory services, maternity care, dental care, appliances, medicines, transportation, and rehabilitation services.

In general, insurance covers the entire cost of medical benefits, but insured pays 20% for consultations, 5% for the other ambulatory services, 5% for dental care up to a limit of •38.25 per year, •8.86 a day for hospitalization, and varying rates of 0%, 20%, or 80% of the cost of medicines.

#### **Dependents' Medical Benefits**

**Medical benefits for dependents:** Same as for the insured person.

**Attendance benefits:** Various services and cash benefits for the provision of care by another person in order to permit an individual to undertake routine daily activities. Cash benefits are •49.30 per hour for care provided at home; •22.65 per hour for care provided at an institution.

#### **Administrative Organization**

Ministry of Social Security handles general supervision. Nine funds, each responsible for different occupational categories, administer benefits. Funds are managed by elected committees composed of representatives of insured persons and employers.

Sickness Fund Union administers dependency benefits.

### **Work Injury**

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#### **Regulatory Framework**

**First law:** 1902.

**Current laws:** 1925 and 1954.

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

#### **Coverage**

Employees, apprentices, domestic workers, and self-employed persons.

Special systems for public employees, students, and the military.

### **Source of Funds**

**Insured person:** None (except for self-employed persons).

**Employer:** 0.67% to 6% of payroll, according to the assessed degree of workplace risk.

**Government:** 50% of the cost of administration and 1/3 of the cost of pension adjustments due to wage changes.

The maximum salary for contribution and benefit purposes is •1,290.22 per month.

### **Qualifying Conditions**

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

### **Temporary Disability Benefits**

100% of earnings is payable from the first day of incapacity for up to 13 weeks. Benefit is converted to a pension from the 14th week onward.

### **Permanent Disability Benefits**

**Permanent disability benefit:** 85.6% of earnings during last year up to a maximum of •1,104.43 per month if totally disabled.

**Child's supplement:** 10% of the pension for each child under age 18 (age 27 if a student) if the insured is 50% or more disabled; no limit if the child is disabled. The value of the total supplement is not to exceed 100% of base salary.

**Partial disability:** A percentage of the full pension proportional to the degree of disability; converted to lump sum after 3 years if the disability is 10% or less (or on request if the degree of disability is 10% to 40%).

Benefit adjustment: Benefits are automatically indexed to changes in cost of living and are periodically adjusted according to changes in wages.

### **Workers' Medical Benefits**

Necessary care, including medical treatment and surgery, hospitalization, medicines, appliances, and rehabilitation.

### **Survivor Benefits**

**Survivor benefit:** 42.8% of earnings of the insured, or 53.5% if disabled, payable to the widow(er). Upon remarriage, entitlement to the survivor pension ceases and a lump-sum award is made equal to 60 months of earnings if under age 50 or 36 months of earnings if aged 50 or over.

**Orphan's pension:** 21.4% of earnings for each orphan under age 18 (under age 27 if a student); no limit if disabled.

Other eligible survivors (in absence of the above): Parents and grandparents, or the carer of the insured. The maximum survivor pension is 85.6% of earnings of insured.

**Funeral grant:** A lump sum of 1/15 of the annual earnings or the minimum wage, whichever is higher.

Benefit adjustment: Benefits are automatically indexed to changes in the cost of living or periodically adjusted according to changes in wages.

### **Administrative Organization**

Ministry of Social Security provides general supervision.

Accident Insurance Association administers the program for workers in industry, agriculture, and forestry and also administers special programs.

### **Unemployment**

#### **Regulatory Framework**

**First law:** 1921.

**Current laws:** 1976 and 1978.

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

#### **Coverage**

Employed persons, self-employed persons under certain conditions, recent graduates of schools, and persons who have completed vocational training and are aged 16 to 28 years.

#### **Source of Funds**

**Insured person:** 2.5% (special solidarity tax).

**Employer:** None.

**Government:** Degree of financing set on a yearly basis by legislation.

#### **Qualifying Conditions**

**Unemployment benefit:** 26 weeks of work in the last 12 months. Self-employed persons, 5 years except for special cases; recent graduates, 26 weeks of registered unemployment. Registered at employment office, capable of work, and prepared to accept appropriate employment. Unemployment not due to voluntary leaving or the refusal of a suitable job offer.

#### **Unemployment Benefits**

80% (85% if the insured has a dependent child) of the basis salary during the last 3 months, up to 2.5 times social minimum wage (2 times after 182 days; 1.5 times after 365 days); recent graduates receive 70% of the social minimum wage; self-employed persons receive 80% of the social minimum wage. The amount is reduced for unemployed persons living with someone whose earnings exceed 2 times the social minimum wage.

Payable for up to 365 days in a 24-month period. The extension of the entitlement period is possible for 12, 9, or 6 months for older unemployed persons; additional extensions are available for hard-to-place unemployed persons.

Benefit adjustment: Benefits are automatically indexed to changes in cost of living.

### **Administrative Organization**

Ministry of Labour provides general supervision.

Employment Agency, through local offices, administers the program and the payment of allowances.

### **Family Allowances**

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#### **Regulatory Framework**

**First laws:** 1947 (employed persons) and 1959 (self-employed persons).

**Current laws:** 1977 (birth allowance), 1980 (maternity allowance), 1985 (family allowance), 1986 (beginning of school year allowance), 1988 (education allowance), and 1999 (parental leave).

**Type of program:** Universal system.

#### **Coverage**

All children who are raised and are legally domiciled in the country.

#### **Source of Funds**

**Insured person:** None.

**Employer:** None.

**Government:** Total cost.

#### **Qualifying Conditions**

**Family allowance:** Child must be under age 18 (age 27 if a student); no age limit if the child is disabled before age 18.

**Birth allowance:** Proof of prescribed medical examinations and residence in Luxembourg.

**Beginning of school year allowance:** Payable to families with one or more children aged 6 to 18 years (27 years if a student) who are eligible for family allowances.

**Child-rearing allowance:** All residents who are raising one or more children under 2 years of age for whom they receive family allowances.

**Parental leave allowance:** Child under 5 years of age, receiving family allowance, parent living and working in Luxembourg at the time of the child's birth.

### **Family Allowance Benefits**

**Family allowances:** •168.15 a month for one child; •399.28 a month for two children; •727.28 a month for three children; and •327.85 a month for each additional child; plus •14.65 a month per child aged 6 to 11 years and •43.96 per child aged 12 years or over.

**Supplementary allowance:** •168.15 a month added for a seriously disabled child.

**Birth allowances:** •1,576.47, payable in three equal installments as prenatal allowance, birth grant, and postnatal allowance.

**Beginning of school year allowance:** •102.51 for one child over age 6; and •146.47 if over age 12; •175.77 per child if there are two children over age 6; •219.67 per child if over age 12; •248.98 per child if there are three or more children over age 6; •292.94 per child if over age 12.

**Child-rearing allowance:** •439.41 per month.

**Parental leave allowance:** •1,611.10 a month, during a 6-month period.

Benefit adjustment: All allowances are indexed to changes in the cost of living.

### **Administrative Organization**

Ministry of the Family provides general supervision.

National Family Allowance Fund administers allowances.