

Iceland

Exchange rate: US\$1.00 equals 63.14 Icelandic kronur (IKr).

Old Age, Disability, and Survivors

Regulatory Framework

First laws: 1909 and 1980.

Current laws: 1992 (disability); 1993 (social security), with amendments; 1993 (social assistance); and 1997 (pension funds).

Type of program: Universal and mandatory occupational pension system.

Coverage

Universal pension: All persons residing in Iceland.

Mandatory occupational pension: All employed and self-employed persons aged 16 to 70.

Source of Funds

Insured person

Universal pension: None.

Mandatory occupational pension: 4% of wages, plus charges for asset management and administrative fees.

There are no maximum earnings for contribution purposes.

Self-employed person

Universal pension: A social security contribution of 5.79% (the contribution rate is for the income year 2004 and the assessment year 2005) is imposed on the presumptive income of self-employed persons. (Presumptive income is employment income comparable with the remuneration one would receive if similarly employed by an unrelated person.)

The self-employed person's contributions also finance maternity/paternity benefits, work injury benefits, and unemployment benefits.

Mandatory occupational pension: 10% of earnings, plus charges for asset management and administrative fees.

Employer

Universal pension: A social security contribution of 5.79% is imposed on all remuneration paid for employment.

The employer's contributions also finance maternity/paternity benefits, work injury benefits, and unemployment benefits.

Mandatory occupational pension: 6% of the employee's wages.

Government

Universal pension: Remaining costs.

Mandatory occupational pension: None.

Qualifying Conditions

Old-age pension

Universal pension: Age 67 and has resided in Iceland for a minimum of 3 years between ages 16 and 66 and has annual income below a certain ceiling. To receive the full pension, the insured must have resided in Iceland for 40 years.

Age 60 for some categories of seamen, subject to conditions.

Benefits are payable abroad under reciprocal agreement.

Mandatory occupational pension: Age 67 for private-sector employees or age 65 for public-sector employees.

Early pension: Normally from age 65.

Deferred pension: A deferred pension is possible, normally up to age 70.

Disability pension

Universal pension: Must be between ages 16 and 66 and must have resided in Iceland for a minimum of 3 years before the claim to benefit. The insured must have an assessed degree of permanent disability as a result of a medically recognized disease or disability of at least 75% and have annual income below a certain ceiling.

A disability allowance is payable with an assessed degree of permanent disability of 50% to 74%.

The State Social Security Institute assesses the degree of disability following a medical examination by a doctor.

Benefits are payable abroad under reciprocal agreement.

Mandatory occupational pension: Payable for the loss of 50% or more of earning capacity and a loss of income due to the reduction in earning capacity. The insured must have at least 2 years of contributions.

Survivor pension

Universal pension: The deceased resided in Iceland for at least 3 years.

Eligible survivors are orphans.

Mandatory occupational pension: A surviving spouse's pension and an orphan's pension are paid if the deceased contributed for at least 24 of the last 36 months before death or was receiving an old-age pension or disability pension at the time of death.

Eligible survivors are a spouse or cohabiting partner (including a same-sex partner) and children younger than age 18.

Old-Age Benefits

Old-age pension

Universal pension: The basic pension for a single person is Ikr274,476 a year. The benefit is reduced when annual income exceeds Ikr1,894,254 and ceases when annual income exceeds Ikr2,809,713. The pension is paid monthly.

Pension supplement: Ikr538,056 a year is paid for a single person. The supplement is reduced when annual income exceeds Ikr607,850 and ceases when annual income exceeds Ikr1,803,503. The supplement is paid monthly.

Additional pension supplement: Ikr265,308 a year is paid for a single person. The supplement is reduced if the insured has other income and ceases when annual income exceeds Ikr589,573. The supplement is paid monthly.

The maximum pension is paid if the insured has resided in Iceland for 40 years; the pension is reduced according to the number of years of residency less than 40 (for example, 3 years' residency gives entitlement to 3/40 of the full amount).

Different amounts apply for married or cohabiting couples.

Child's supplement: Ikr17,249 a month is paid for each child younger than age 18.

Social assistance allowances (means-tested): Means-tested allowances contribute toward certain living expenses such as housing and medicine costs.

Benefit adjustment: Benefits are adjusted annually according to the current state budget for changes in wages but must, at a minimum, be indexed to the cost-of-living index.

Mandatory occupational pension: The pension is based on total individual contributions and the length of the contribution period. The minimum pension payable with 40 years of contributions is equal to 56% of lifetime average earnings (equal to 1.4% of average lifetime earnings per contribution year). The pension is paid for life.

Early pension: An actuarially reduced pension is paid. The reduction is permanent.

Deferred pension: Calculated in the same way as the mandatory occupational pension.

Child's supplement: The pension fund may provide at least Ikr7,890 per child per month.

Benefit adjustment: Benefits are adjusted according to the financial resources of the fund but must, at a minimum, be indexed to the consumer price index.

Permanent Disability Benefits

Disability pension

Universal pension: The full basic pension for a single person with an assessed degree of disability of at least 75% is Ikr274,476 a year. The pension is reduced when annual income exceeds Ikr1,930,279 and ceases when annual income exceeds Ikr3,028,184. The pension is paid from the

first day of the month following the date of the award. The pension is paid monthly

Disability allowance: The full pension for a single person with an assessed degree of disability of 50% to 74% is Ikr205,860 a year.

Pension supplement: Ikr551,268 a year is paid for a single person. The supplement is reduced when annual income exceeds Ikr627,629 and ceases when annual income exceeds Ikr1,852,669. The supplement is paid monthly.

Additional pension supplement: Ikr265,308 a year is paid for a single person. The additional supplement is reduced if the insured has other income and ceases when annual income exceeds Ikr589,573. The supplement is paid monthly.

Age-related pension supplement: From a minimum of Ikr4,116 to a maximum of Ikr274,476 a year is paid, depending on the insured's age when entitlement to a disability pension was first established. The supplement is paid monthly.

The maximum pension is paid if the insured has resided in Iceland for 40 years, with coverage projected up to age 67; the pension is reduced according to the number of years of residency less than 40 (for example, 3 years' residency gives entitlement to 3/40 of the full amount).

Different amounts apply for married or cohabiting couples.

Child's supplement: Ikr17,249 a month is paid for each dependent child younger than age 18; the supplement is doubled if both parents are disabled.

Social assistance allowances (means-tested): Means-tested allowances contribute toward certain living expenses such as housing and medicine costs.

Benefit adjustment: Benefits are adjusted annually according to the current state budget for changes in wages but must, at a minimum, be indexed to the cost-of-living index.

Mandatory occupational pension: The pension is calculated according to the assessed degree of disability and the value of paid and credited contributions (projected to age 67). The pension is paid from the first day of the month following the date of the award.

Child's supplement: Ikr7,890 a month is paid for each dependent child younger than age 18.

Benefit adjustment: Benefits are adjusted according to the financial resources of the fund but must, at a minimum, be indexed to the consumer price index.

Survivor Benefits

Survivor pension

Universal pension: Each orphan younger than age 18 receives Ikr17,249 a month. The pension is doubled for full orphans.

Death allowance (social assistance): A survivor who is widowed before age 67 may receive Ikr25,876 a month for a maximum of 6 months; a reduced allowance of Ikr19,401 may be paid for an additional 6 months if the widow(er) has a dependent child younger than age 18 or subject to other conditions being met.

Benefit adjustment: Benefits are adjusted annually according to the current state budget for changes in wages but must, at a minimum, be indexed to the cost-of-living index.

Occupational mandatory survivor pension: The deceased was receiving a pension from the fund at the time of death or had paid contributions for a specified period before death. The survivor pension is equal to 50% of the disability pension to which the deceased would have been entitled in the case of full disability. The pension is paid for 24 months; there is no limit for a spouse supporting a child younger than age 18 or for a spouse who is at least 50% disabled and younger than age 67.

The pension ceases on remarriage.

Occupational mandatory orphan's pension: Pensions are paid to orphans younger than age 18. Different maximum amounts apply for the orphan of an old-age pensioner and the orphan of a disability pensioner. The minimum pension is Ikr10,759 per child per month. The minimum pension is doubled for full orphans.

Benefit adjustment: Benefits are adjusted according to the financial resources of the fund but must, at a minimum, be indexed to the consumer price index.

Administrative Organization

Universal pension: Ministry of Health and Social Security (<http://heilbrigdisraduneyti.is>) provides general supervision.

State Social Security Institute (<http://www.tr.is>) administers the programs through local offices.

Mandatory occupational pension: Ministry of Finance (<http://fjarmalaraduneyti.is>) provides general supervision.

Administration of the mandatory occupational pension program is provided by 43 independent pension funds.

Sickness and Maternity

Regulatory Framework

First laws: 1936 (social security), 1975 (maternity leave and benefits), and 1973 (health service).

Current laws: 1990 (health service); 1993 (social security), with amendments; and 2000 (maternity/paternity leave).

Type of program: Universal and social insurance system.

Coverage

Cash sickness benefit: Employed and self-employed persons residing in Iceland.

Cash maternity benefits: Employed and self-employed persons and parents residing in Iceland.

Medical benefits: All persons residing in Iceland.

Source of Funds

Insured person: None.

Self-employed person: None for cash sickness and medical benefits. See source of funds under Old Age, Disability, and Survivors, above, for cash maternity/paternity benefits.

Employer: None for cash sickness and medical benefits. See source of funds under Old Age, Disability, and Survivors, above, for cash maternity/paternity benefits.

Government: The total cost of cash sickness and medical benefits; the remaining costs for cash maternity/paternity benefits.

Qualifying Conditions

Sickness benefits: Must be aged 16 or older, incapable of work as the result of a sickness for at least 21 days, not receiving old-age or disability benefits, and no longer gainfully employed in Iceland.

Maternity/paternity benefits: Both parents must have been active in the domestic labor market for 6 consecutive months before the first day of parental leave.

Maternity/paternity grants: Must have resided in Iceland for 12 months before the expected date of childbirth (for new residents).

Medical benefits: Must have resided in Iceland for 6 months (for new residents).

Sickness and Maternity Benefits

Sickness benefit: A minimum of Ikr911 a day is paid for persons who have to give up full-time gainful employment; Ikr456 a day is paid for persons who have to give up at least 50% of employment. The benefit is payable after a 14-day waiting period provided that the incapacity has lasted at least 21 days and income has ceased.

(Employers must pay wages for at least 1 month (may be extended, depending on collective agreements) to employees with 12 consecutive months of employment. Cash benefits are not payable until wages have ceased.)

The duration of benefits is 52 weeks in any one 24-month period.

Child's supplement: Ikr249 a day is paid for each child younger than age 18.

Maternity/paternity benefits: Parental benefit entitlements exist for both parents. For employees and self-employed persons, the benefit is 80% of the insured's average wage or income during the last 2 years before the year of the child's birth.

Either a mother or a father has the right to 3 months' leave. The maternity leave period may start 1 month before the expected date of childbirth; paternity leave is taken after childbirth. Parents decide how and when the leave period will be split between them. The leave period must be taken before the child is age 18 months.

If the insured is in part-time employment (between 25% and 49%), the minimum benefit is Ikr70,543 a month; if employed between 50% and 100%, the minimum benefit is Ikr97,769 a month.

The maximum benefit is Ikr504,000 a month.

Maternity/paternity grants: Ikr42,662 a month is paid to parents working less than 25% time or who are nonactive. The grant for a parent attending a full-time education program is Ikr95,441 a month.

Workers' Medical Benefits

A minimum fee is necessary for a doctor's consultation. Inpatient treatment in a public hospital is free of charge. Free medicine is provided for some chronic diseases; for other medicines, the insured pays a minimum fee. Inpatient care in a maternity ward is free. A minimum fee is paid for X-rays and travel costs.

Dependents' Medical Benefits

A minimum fee is necessary for a doctor's consultation. Inpatient treatment in a public hospital is free of charge. Free medicine is provided for some chronic diseases; for other medicines, the insured pays a minimum fee. Inpatient care in a maternity ward is free. A minimum fee is paid for X-rays and travel costs.

Children up to age 18 are entitled to a partial reimbursement of costs, and there is partial reimbursement for dental care for persons younger than age 21.

There is no reimbursement for persons between ages 18 and 66, except for disability pensioners.

Administrative Organization

Ministry of Health and Social Security (<http://heilbrigdisraduneyti.is>) and the Ministry of Social Affairs (<http://felagsmalaraduneyti.is>) provide general supervision.

State Social Security Institute (<http://www.tr.is>) administers the programs through local offices.

Work Injury

Regulatory Framework

First law: 1925.

Current laws: 1992 (disability); 1993 (social security), with amendments; and 1993 (social assistance).

Type of program: Social insurance and social assistance system.

Coverage

Employed and self-employed persons, apprentices, persons engaged in rescue operations, and athletes participating in organized athletic activities.

Source of Funds

Insured person: None.

Self-employed person: See source of funds under Old Age, Disability, and Survivors, above.

Employer: See source of funds under Old Age, Disability, and Survivors, above.

Government: Work injury insurance is partly financed through general taxation.

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period.

Temporary Disability Benefits

A daily cash benefit of Ikr1,117 is paid. The benefit is payable after a 7-day waiting period if the incapacity for work lasts for at least 10 days, for a maximum of 52 weeks.

Child's supplement: Ikr2,249 is paid for each dependent child younger than age 18.

The maximum benefit is equal to 75% of earnings.

(Collective agreements provide for the continued payment of wages and salaries for a certain period (depending on agreements), in which case cash benefits are not payable until wages have ceased.)

Benefit adjustment: Benefits are adjusted annually according to the current state budget for changes in wages but must, at a minimum, be indexed to the cost-of-living index.

Permanent Disability Benefits

Permanent disability pension: For an assessed degree of disability of at least 75%, Ikr274,476 a year is paid. For an assessed degree of disability of 50% to 74%, the benefit is equal to 50% of the full pension and increases by 2% for each additional degree of assessed disability up to a

maximum of 75%. For an assessed degree of disability of 10% to 49%, a lump sum is paid according to the assessed degree of disability.

The State Social Security Institute assesses the degree of disability following a medical examination by a doctor.

Pension supplement: Ikr551,268 a year is paid for a single person.

Additional pension supplement: Ikr265,308 a year is paid for a single person.

Age-related pension supplement: From a maximum of Ikr274,476 to a minimum of Ikr4,116 a year is paid, depending on the insured's age when entitlement to a disability pension was first established.

Child's supplement: Ikr19,249 a month is paid for each child younger than age 18 supported by the insured at the onset of disability. If the assessed degree of disability is 75% or more, a supplement is also paid for dependent children older than age 18.

Social assistance allowances (means-tested): Means-tested allowances contribute toward certain living expenses such as housing and medicine costs.

Benefit adjustment: Benefits are adjusted annually according to the current state budget for changes in wages but must, at a minimum, be indexed to the cost-of-living index.

Workers' Medical Benefits

All necessary medical care is provided, including specialist services and hospitalization.

Survivor Benefits

Survivor pension: If the insured dies within 2 years after the injury occurred or the occupational disease was diagnosed, the surviving spouse receives Ikr25,876 a month for 8 years.

Orphan's pension: Each orphan younger than age 18 receives Ikr17,249 a month; the pension is doubled for full orphans. Children older than age 16 who, because of a disability, were supported by the deceased when the injury occurred receive a benefit of between Ikr323,373 and Ikr970,119, depending on the degree of necessary support.

In the absence of other surviving relatives, a lump sum of Ikr452,726 is paid to the deceased's surviving children or, otherwise, to the estate.

Benefit adjustment: Benefits are adjusted annually according to the current state budget for changes in wages but must, at a minimum, be indexed to the cost-of-living index.

Administrative Organization

Ministry of Health and Social Security (<http://heilbrigdisraduneyti.is>) provides general supervision.

State Social Security Institute (<http://www.tr.is>) administers the programs through local offices.

Unemployment

Regulatory Framework

First law: 1956.

Current laws: 1997 (unemployment), with amendments; and 1997 (self-employed persons), with amendments.

Type of program: Social insurance system.

Coverage

Employed and self-employed persons.

Source of Funds

Insured person: None.

Self-employed person: See source of funds under Old Age, Disability, and Survivors, above.

Employer: See source of funds under Old Age, Disability, and Survivors, above.

Government: None.

Qualifying Conditions

Unemployment benefits: Must be aged 16 to 69, reside in Iceland, and have at least 10 weeks of insurable employment in the previous 12 months. Must be registered at an employment office and actively seeking, and available for, work. The insured must have been unemployed for at least 3 days before registration. For continuing entitlement, the insured must register every 2 weeks at the employment agency.

Additionally, self-employed persons must have paid contributions in the last 12 months before employment ceased and must have paid income tax for at least 3 months.

Part-time work is permitted, subject to conditions.

Unemployment Benefits

The maximum benefit is Ikr4,324 a day. The minimum benefit, after 10 weeks of full employment, is Ikr1,081 a day.

Benefits are reduced proportionally if the insured is in part-time work.

Income test: Income from work reduces the benefit according to certain rules when income exceeds Ikr52,032.

The benefit is paid from the first day if the insured is involuntarily unemployed; otherwise, after a 40-day waiting period. The maximum duration of benefits is 5 years.

Child's supplement: A daily supplement equal to 4% of the full benefit is paid for each dependent child younger than age 18.

Benefit adjustment: Benefits are adjusted annually according to the current state budget for changes in wages but must, at a minimum, be indexed to the cost-of-living index.

Administrative Organization

Ministry of Social Affairs (<http://felagsmalaraduneyti.is>) provides general supervision.

Directorate of Labor (<http://www.vinnumalastofnun.is>) administers the Unemployment Insurance Fund and the employment agencies.

Family Allowances

Regulatory Framework

First law: 1946.

Current laws: 1981 (income tax), with amendments; and 1993 (social assistance).

Type of program: Universal system.

Coverage

Children and parents or persons responsible for the support of children residing in Iceland.

Source of Funds

Insured person: None.

Self-employed person: None.

Employer: None.

Government: The total cost.

Qualifying Conditions

The child must be younger than age 16 and reside in Iceland and be supported by those who are subject to unlimited tax liability in Iceland according to the tax law.

Family Allowance Benefits

Child benefit (income-tested): Flat-rate benefits are awarded as a tax reduction and paid to families with children and income below a certain level. The benefit is assessed and paid on the basis of the previous year's income. Advance payments are made on the first day of February and the first day of May each year.

The annual child benefit in 2006 is IKr46,747 for children younger than age 7 at the end of the 2005 income year.

In addition, married or cohabiting parents receive a supplement of IKr139,647 for the first child and IKr166,226 for the second and each additional child. Single parents receive a supplement of IKr232,591 for the first child and IKr238,592 for the second and each additional child.

Income test: Benefits are reduced according to certain rules when income exceeds IKr1,859,329 for married or cohabiting parents; IKr929,665 for single parents.

Child education grant: IKr17,249 a month is paid to children aged 18 to 20 who are in full-time education or vocational training, subject to one or both parents being deceased or an old-age or disability pensioner.

Social assistance allowance (means-tested): Means-tested allowances contribute toward certain living expenses such as housing.

Administrative Organization

Ministry of Finance (<http://fjarmalaraduneyti.is>) provides general supervision for child benefits paid as tax reductions.

Ministry of Health and Social Security (<http://heilbrigdisraduneyti.is>) supervises benefits administered by the State Social Security Institute (<http://www.tr.is>). The Ministry of Social Affairs (<http://felagsmalaraduneyti.is>) supervises benefits administered by local authorities.

State Social Security Institute (<http://www.tr.is>) and local authorities administer social assistance benefits.

Directorate of Inland Revenue (<http://rsk.is>) administers benefits in the form of tax reductions.