

## Latvia

Exchange rate: US\$1.00 equals 0.58 lats.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1922.

**Current laws:** 1995 (social insurance), with amendments; 1997 (social insurance), with amendments; and 2000 (funded pension scheme), with 2002 and 2004 amendments.

**Type of program:** Notional defined contribution (NDC), mandatory individual account, and social assistance system.

Social assistance benefits (means-tested and conditional) are provided by municipalities to support the needy.

Note: Membership in an individual account is mandatory for individuals who were younger than age 30 on July 1, 2001, and voluntary for those who were between ages 30 and 49 on July 1, 2001.

#### Coverage

**Old-age and survivor pensions:** Employed persons, self-employed persons, unemployed persons, active military personnel, persons caring for a child younger than 18 months, and spouses of diplomatic staff.

Voluntary coverage for all persons aged 15 or older residing permanently in Latvia who are not subject to compulsory insurance and have not already been granted an old-age pension; the spouse of a self-employed person younger than the retirement age; and students.

Special supplementary systems for public prosecutors and the police and armed forces.

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

Voluntary coverage for all persons aged 15 years or older residing permanently in Latvia who are not subject to compulsory insurance and have not already been granted an old-age pension; the spouse of a self-employed person younger than the retirement age.

There are no special systems for any specified groups of employees.

#### Source of Funds

**Insured person:** 9% of earnings.

Of the total employer/employee contribution of 33.09% of earnings, 18% of earnings finances the NDC scheme and 2% the individual account. The remainder finances sickness and maternity benefits, work injury benefits, and

unemployment benefits. (The individual account contribution rate will rise to 4% in 2007 and by an additional 2% each year up to 10% in 2010. The total contribution rate will remain the same.)

In addition, pension fund administrators charge an annual management fee on the individual's accumulated funds in the mandatory individual account. (There are no minimum or maximum limits for fees set by law.)

The minimum annual earnings for contribution purposes are 1,320 lats.

The maximum annual earnings for contribution purposes are 20,700 lats.

**Self-employed person:** 30.2% of declared earnings.

Of the total contribution, 24.79% finances old-age and survivor benefits and 3.03% disability benefits. The remainder finances sickness and maternity benefits.

In addition, pension fund administrators charge an annual management fee on the individual's accumulated funds in the mandatory individual account. (There are no minimum or maximum limits for fees set by law.)

The minimum annual declared earnings for contribution purposes are 1,320 lats.

The maximum annual declared earnings for contribution purposes are 20,700 lats.

**Employer:** 24.09% of earnings.

Of the total employer/employee contribution of 33.09% of earnings, 18% of earnings finances the NDC scheme and 2% the individual account. The remainder finances sickness and maternity benefits, work injury benefits, and unemployment benefits. (The individual account contribution rate will rise to 4% in 2007 and by an additional 2% each year up to 10% in 2010. The total contribution rate will remain the same.)

The minimum annual earnings for contribution purposes are 1,320 lats.

The maximum annual earnings for contribution purposes are 20,700 lats.

**Government:** Contributes 10 lats on behalf of active military personnel, persons residing in Latvia caring for a child younger than 18 months, and spouses of diplomatic staff and of military personnel residing abroad. Also contributes on behalf of recipients of unemployed benefits, unemployed disabled persons, and recipients of maternity benefits. Contributes as an employer. Finances the total cost of the state social security benefit (see below).

#### Qualifying Conditions

**Old-age pension (social insurance and mandatory individual account):** Age 62 (men) or age 60 and 6 months (women) with 10 years of insurance coverage. The

age requirement for women will increase by 6 months each year up to age 62 by 2009.

Retirement from insured employment is not necessary.

Special conditions apply to persons disabled for life and certain persons with specific disabilities; to men or women who have raised 5 or more children up to age 8 or a disabled child; to persons who before 1996 worked under hazardous or dangerous conditions; and to persons who participated in the Chernobyl catastrophe.

For a transitional period special conditions apply to transport workers (air, rail, public transport, maritime, and river transport) and artists (including those working in circus, opera, or ballet).

Early pension: Age 60 (men) or age 58 (women) with 30 years of insurance coverage. The early pension is a transitional benefit in force until June 1, 2008.

Deferred pension: The pension may be deferred after retirement age without limit.

Old-age benefits are payable abroad.

**State social security benefit:** Age 67 (men) or age 65 and 6 months (women) with less than 10 years of insurance coverage or without insurance coverage.

**Disability pension (social insurance):** The insured must be assessed as disabled and must have 3 years of insurance coverage. There are three groups of assessed disability: Group I (severely disabled and requiring constant attendance); Group II (severely disabled but not in need of constant attendance); and Group III (disabled).

The degree of disability is assessed by the Health and Working Capacity Medical Expert Commission.

Disability benefits are payable abroad.

**State social security benefit:** Payable to persons aged 18 or older who are assessed with a Group I or Group II disability but do not qualify for a disability pension.

**Survivor pension (social insurance):** The deceased was insured or was a pensioner at the time of death.

Eligible survivors are the insured's children, including adopted children younger than age 18 (age 25 if a student, no limit if disabled); and dependent brothers, sisters, grandchildren, stepsons, and stepdaughters younger than age 18 (age 25 if a student, no limit if disabled) who do not have parents capable of work.

Survivor benefits are payable abroad.

**Survivor pension (social insurance):** Payable to eligible survivors if the deceased did not satisfy qualifying conditions for a pension.

**Death allowance (social insurance):** Payable for the death of an insured person; an unemployed person; a pensioner; and an insured's dependent family member. In the case of an insured or an insured's family member, the death must have occurred within 1 month after the end of

the contribution period. The benefit can be claimed up to 12 months after the date of death.

## Old-Age Benefits

### Old-age pension

**Social insurance (NDC):** The pension is calculated on the basis of the insured's contributions plus annual capital growth adjusted according to changes in the earnings index divided by the average remaining life expectancy.

The monthly minimum pension is equal to the state social security benefit increased by 1.1% (49.50 lats a month or 55 lats if disabled since childhood) for an insurance period of up to 20 years; increased by 1.3% (58.50 lats a month or 65 lats if disabled since childhood) for an insurance period from 21 to 30 years; or increased by 1.5% (67.50 lats a month or 75 lats if disabled since childhood) for an insurance period of 31 years or more.

Early pension: The pension is equal to 80% of the old-age pension until the insured reaches the normal retirement age.

Deferred pension: The pension is calculated in the same way as the old-age pension.

Benefit adjustment: Benefits are adjusted in April according to changes in the consumer price index and in October according to changes in the consumer price index and changes in average contributory earnings.

**Mandatory 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 credited to his or her NDC account.

**State social security benefit:** The monthly state social security benefit is 45 lats (50 lats if disabled since childhood).

### Permanent Disability Benefits

**Disability pension (social insurance):** The pension is calculated according to three groups of assessed disability.

Group I: The monthly pension is equal to 0.45 times the insured's average earnings in 3 consecutive years in the last 5 years, plus the insured's average wage times the ratio of actual contribution years to total possible number of years between age 15 and retirement.

The minimum pension is 1.6 times the state social security benefit (72 lats a month or 80 lats if disabled since childhood).

Group II: The monthly pension is equal to 0.4 times the insured's average earnings in 3 consecutive years in the last 5 years, plus the insured's average wage times the ratio of actual contribution years to total possible number of years between age 15 and retirement.

The minimum pension is 1.4 times the state social security benefit (63 lats a month or 70 lats if disabled since childhood).

Group III: The monthly pension is equal to the state social security benefit of 45 lats (50 lats if disabled since childhood).

The minimum annual earnings for benefit calculation purposes are 1,320 lats.

The maximum annual earnings for benefit calculation purposes are 20,700 lats.

Benefit adjustment: Benefits are adjusted in April according to changes in the consumer price index and in October according to changes in the consumer price index and changes in average contributory earnings.

### Survivor Benefits

**Survivor pension (social insurance):** The monthly pension for one survivor is equal to 50% of the deceased's old-age pension; 75% for two eligible survivors; 90% for three or more eligible survivors. The pension for a full orphan is based on the old-age pensions of both parents.

The minimum survivor pension is equal to 65% of the state social security benefit for each eligible survivor (29.25 lats a month or 32.50 lats if disabled since childhood).

The minimum total survivor pension is equal to the state social security benefit of 45 lats a month (50 lats if disabled since childhood).

Benefit adjustment: Benefits are adjusted in April according to changes in the consumer price index and in October according to changes in the consumer price index and changes in average contributory earnings.

**Death allowance (social insurance):** The allowance is equal to twice the deceased's last monthly average earnings used for contribution purposes or the deceased's pension. In the case of the death of a dependent family member or an unemployed person, the allowance is three times the state social security benefit of 45 lats.

### Administrative Organization

Ministry of Welfare (<http://www.lm.gov.lv>) provides general supervision.

State Social Insurance Agency (<http://www.vsaa.gov.lv>) and its local offices award and pay cash benefits.

Financial and Capital Market Commission supervises private pension funds.

### Sickness and Maternity

#### Regulatory Framework

**First law:** 1924.

**Current law:** 1995 (maternity and sickness benefits), with amendments.

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

#### Coverage

**Cash benefits:** Employed and self-employed persons.

Voluntary coverage for all persons aged 15 or older residing permanently in Latvia who are not subject to compulsory insurance and have not already been granted an old-age pension; the spouse of a self-employed person younger than the retirement age.

There are no special systems for any specified groups of employees.

**Medical benefits:** All citizens residing in Latvia and foreigners with term-residence permission.

#### Source of Funds

**Insured person:** See source of funds under Old Age, Disability, and Survivors, above; voluntary contributors pay 3.16% of earnings.

The minimum annual earnings for contribution purposes are 1,320 lats.

The maximum annual earnings for contribution purposes are 20,700 lats.

**Self-employed person:** 2.38% of declared earnings is taken from the total contributions rate of 30.2% of declared earnings made under Old Age, Disability, and Survivors, above.

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

**Government:** Finances state-guaranteed health care services through the annual state budget. Contributes as an employer.

#### Qualifying Conditions

**Cash and medical benefits:** There is no minimum qualifying period.

#### Sickness and Maternity Benefits

**Sickness benefit:** The benefit is equal to 80% of the insured's average earnings during the last 6 months (last 12 months for a self-employed person). The benefit is payable from the 15th day of incapacity for work until recovery or up to 52 weeks from the first day of incapacity for work (78 weeks within a 3-year period for a repeated incapacity for work). The employer pays the benefit in the waiting period (the benefit must not be less than 75% of the insured's average earnings for the 2nd and 3rd days and not less than 80% for the 4th to the 14th days).

The minimum annual earnings for benefit calculation purposes are 1,320 lats.

The maximum annual earnings for benefit calculation purposes are 20,700 lats.

The sickness benefit is paid after being certified incapable of work by the State Social Insurance Agency.

**Sick child care benefit:** The benefit is equal to 80% of the insured's average earnings during the last 6 months (last 12 months for a self-employed person) and is payable from the first day up to the 21st day if caring for a child younger than age 14. The benefit is also payable for a child receiving treatment in hospital.

**Maternity benefit:** The benefit is equal to 100% of the insured's average earnings during the last 6 months (last 12 months for a self-employed person). The benefit is payable for 112 consecutive days (56 days before and 56 days after the expected date of childbirth); 14 additional days are paid for multiple births.

The minimum annual earnings for benefit calculation purposes are 1,320 lats.

The maximum annual earnings for benefit calculation purposes are 20,700 lats.

The benefit may be paid for 14 additional consecutive days as the result of complications during pregnancy, delivery, or the postnatal period and in cases where inpatient medical care associated with pregnancy began before the 12th week of pregnancy.

Maternity benefit must be claimed within 12 months after the first day of the maternity leave period.

Maternity benefit is paid after being certified incapable of work by the State Social Insurance Agency.

**Paternity benefit:** The benefit is equal to 80% of the insured's average earnings during the last 6 months. The benefit is payable for 10 consecutive days.

The minimum annual earnings for benefit calculation purposes are 1,320 lats.

The maximum annual earnings for benefit calculation purposes are 20,700 lats.

Maternity benefit must be claimed within 12 months after the first day of the paternity leave period.

### **Workers' Medical Benefits**

Benefits are provided by state-owned and private hospitals under contract with a sickness fund. Benefits include general and specialist care, medicines, hospitalization, maternity care, dental care for children younger than age 19 and for Chernobyl victims, and cochlear implants for children, according to the schedule in law.

Cost sharing: For outpatient care in clinics, the insured pays 0.50 lats for a consultation with a general practitioner and 2 lats for a consultation with a specialized physician.

Fees for inpatient care are 3 to 5 lats from the second day of treatment, but no more than 80 lats per month.

Free treatment is provided for emergency treatment; for children younger than age 19; for pregnant women and women with a newborn child (for up to 42 days); for low-income persons; for persons with serious diseases (tuberculosis, psychiatric treatment, and chronic hemodialysis); for Chernobyl victims; and for politically oppressed persons and participants of the national resistance movement.

### **Dependents' Medical Benefits**

Benefits are provided by state-owned and private hospitals under contract with a sickness fund. Benefits include general and specialist care, medicines, hospitalization, maternity care, dental care for children younger than age 19 and for Chernobyl victims, and cochlear implants for children, according to the schedule in law.

Cost sharing: For outpatient care in clinics, the insured pays 0.50 lats for a consultation with a general practitioner and 2 lats for a consultation with a specialized physician. Fees for inpatient care are 3 to 5 lats from the second day of treatment, but no more than 80 lats per month.

Free treatment is provided for emergency treatment; for children younger than age 19; for pregnant women and women with a newborn child (for up to 42 days); for low-income persons; for persons with serious diseases (tuberculosis, psychiatric treatment, and chronic hemodialysis); for Chernobyl victims; and for politically oppressed persons and participants of the national resistance movement.

### **Administrative Organization**

Ministry of Welfare (<http://www.lm.gov.lv>) and Ministry of Health (<http://www.vm.gov.lv>) provide general supervision.

State Social Insurance Agency (<http://www.vsa.gov.lv>) and its local offices award and pay cash benefits.

Health Compulsory Insurance State Agency (<http://www.voava.gov.lv>) and its three local branches and three municipal sickness funds administer medical benefits.

### **Work Injury**

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#### **Regulatory Framework**

**First law:** 1927.

**Current law:** 1995 (work injuries and occupational diseases), with amendments.

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

#### **Coverage**

Employed persons.

Exclusions: Self-employed persons.

There is no voluntary coverage.

There are no special systems for any specified groups of employees.

### **Source of Funds**

**Insured person:** None.

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

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

**Government:** Finances state-guaranteed health care services through annual state budget. Contributes as an employer.

### **Qualifying Conditions**

**Work injury benefits:** There is no minimum qualifying period. Accidents that occur while commuting to and from work are not covered.

### **Temporary Disability Benefits**

The benefit is identical to the sickness benefit paid under Sickness and Maternity, above.

The benefit is equal to 80% of the insured's average earnings during the last 6 months (last 12 months for a self-employed person). The benefit is payable from the 15th day of incapacity for work until recovery or up to 52 weeks from the first day of incapacity for work (78 weeks within a 3-year period if the incapacity for work recurs). The employer pays the benefit in the waiting period (the benefit must not be less than 75% of the insured's earnings for the 2nd and 3rd days and not less than 80% for the 4th to the 14th days).

The minimum annual earnings for benefit calculation purposes are 1,320 lats.

The maximum annual earnings for benefit calculation purposes are 20,700 lats.

The sickness benefit is paid after being certified incapable of work by the State Social Insurance Agency.

### **Permanent Disability Benefits**

For a 100% loss of earning capacity, the monthly pension is equal to 80% of the insured's average monthly earnings in the last 6 months.

The minimum annual earnings for benefit calculation purposes are 1,320 lats.

The maximum annual earnings for benefit calculation purposes are 20,700 lats.

**Partial disability pension:** The monthly pension is equal to 75% of the insured's average monthly earnings for a loss of earning capacity from 90% to 99%; 70% for a loss from 80% to 89%. The pension decreases by 5% for each successive

10% reduction in earning capacity, down to a minimum of 25% of the insured's average monthly earnings for a loss of earning capacity from 10% to 14%.

The minimum annual earnings for benefit calculation purposes are 1,320 lats.

The maximum annual earnings for benefit calculation purposes are 20,700 lats.

The disability is assessed by the Health and Working Capacity Medical Expert Commission.

**Benefit adjustment:** Benefits are adjusted annually in October according to changes in the consumer price index.

### **Workers' Medical Benefits**

Benefits include general and specialist care, medicines, and hospitalization. The insured is also reimbursed for additional expenses for medical treatment, nursing care, prostheses, travel expenses, and occupational rehabilitation.

### **Survivor Benefits**

**Survivor pension:** The monthly pension is equal to 25% of the deceased's average monthly earnings in the last 6 months for one survivor, 35% for two, 45% for three, and 55% for four or more.

The minimum survivor pension is equal to the state social security benefit of 45 lats a month.

The maximum survivor pension is equal to 80% of the deceased's average monthly earnings in the last 6 months.

Eligible survivors are the surviving spouse; children; and dependent brothers, sisters, grandchildren, parents, and grandparents.

**Orphan's pension:** The monthly pension is equal to 25% of the deceased's average monthly earnings in the last 6 months for one survivor, 35% for two, 45% for three, and 55% for four or more.

**Full orphan's pension:** The monthly pension is equal to 40% of the deceased's average monthly earnings in the last 6 months for one survivor, 50% for two, 60% for three, and 70% for four or more.

**Benefit adjustment:** Benefits are adjusted annually in October according to changes in the consumer price index.

**Death allowance:** The allowance is equal to twice the deceased's last monthly average earnings used for contribution purposes or the deceased's pension.

### **Administrative Organization**

Ministry of Welfare (<http://www.lm.gov.lv>) provides general supervision.

State Social Insurance Agency (<http://www.vsaa.gov.lv>) and local insurance offices award and pay benefits.

## Unemployment

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### Regulatory Framework

**First law:** 1991.

**Current law:** 1999 (unemployment insurance), with 2000, 2002, and 2005 amendments.

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

### Coverage

Employed persons, active military personnel, and persons residing in Latvia caring for a child younger than 18 months.

Exclusions: Self-employed persons.

There is no voluntary coverage.

There are no special systems for any specified groups of employees.

### Source of Funds

**Insured person:** See source of funds under Old Age, Disability, and Survivors, above.

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

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

**Government:** Contributes for active military personnel and for persons residing in Latvia caring for a child younger than 18 months. Contributes as an employer.

### Qualifying Conditions

**Unemployment benefit:** The insured must have a year of contributions, including 9 months in the last 12 months before unemployment, and be registered at the state employment office.

Special conditions apply to persons caring for a child younger than 18 months, persons caring for a disabled child younger than age 16, formally disabled persons who have regained the capacity to work, and persons in military or alternative service.

### Unemployment Benefits

The monthly benefit varies according to the length of the covered insurance period and the duration of unemployment. The benefit is equal to 50% of the insured's average earnings in the last 6 months with 1 to 9 years of insurance coverage, 55% with 10 to 19 years, 60% with 20 to 29 years, and 65% with 30 years or more. The full amount is paid for the first 3 months, 75% for the 4th to the 6th month, and 60% for the 7th to the 9th month.

The benefit is paid for a maximum duration of 9 months in any 12-month period.

The minimum annual earnings for benefit calculation purposes are 1,320 lats.

The maximum annual earnings for benefit calculation purposes are 20,700 lats.

Twice the monthly state social security benefit of 45 lats is paid to persons caring for a child younger than 18 months, caring for a disabled child younger than age 16, formally disabled persons who have regained the capacity to work, and persons in the military or alternative service before becoming unemployed.

### Administrative Organization

Ministry of Welfare (<http://www.lm.gov.lv>) provides general supervision.

State Social Insurance Agency (<http://www.vsaa.gov.lv>) and local insurance offices award and pay benefits.

State Employment Agency (<http://www.nva.lv>) and local employment offices are responsible for job placements, training, and retraining.

### Family Allowances

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#### Regulatory Framework

**First law:** 1990.

**Current laws:** 1995 (social security); and 1998 (social benefits), with amendments.

**Type of program:** Universal system.

#### Coverage

All citizens and foreigners with term-residence permission.

#### Source of Funds

**Insured person:** None.

**Self-employed person:** None.

**Employer:** None.

**Government:** The total cost.

#### Qualifying Conditions

**Family allowances:** The child must be younger than age 15 (age 20 if a full-time student).

**Foster family allowance:** The allowance is payable to families for foster care.

**Child-rearing allowance (flat-rate benefit):** The child must be younger than age 2. The person rearing a child must not be employed or must not be employed full time. Family allowances are also paid. May not receive the allowance while receiving maternity benefits (see *Sickness and Maternity*, above).

**Child-rearing allowance (earnings-related benefit):** The child must be younger than age 1. The woman or man must be under insured employment before the date of childbirth and must be on maternity or paternity leave or employed on a part-time basis. May not receive the allowance while receiving maternity benefits (see *Sickness and Maternity*, above).

**Childbirth allowance:** Paid to one of the parents (or guardian) of a child younger than age 1.

### ***Family Allowance Benefits***

**Family allowance:** The monthly benefit is equal to 6 lats for the first child, 7.20 lats for the second, 9.60 lats for the third, and 10.80 lats for the fourth and each subsequent child.

**Disabled child supplement:** The monthly supplement is 50 lats and is payable until the child reaches age 18.

**Foster family allowance:** The monthly allowance is 70 lats regardless of the number of foster children and is payable for the duration of the child's stay with the family.

**Child-rearing allowance (flat-rate benefit):** The monthly benefit is 50 lats if the child is younger than age 1; 30 lats if the child is aged 1 or 2.

**Child-rearing allowance (earnings-related benefit):** The benefit is equal to 70% of the insured's average earnings during the 12 months ending 3 months before the date of childbirth.

The minimum monthly allowance is 56 lats.

The maximum monthly allowance is 392 lats.

**Childbirth allowance:** A lump sum of 296 lats is paid.

Childbirth supplement: 100 lats is paid for the first child, 150 lats for the second, and 200 lats for the third and each subsequent child.

### ***Administrative Organization***

Ministry of Welfare (<http://www.lm.gov.lv>) provides general supervision.

Ministry for Children and Family Affairs (<http://www.bm.gov.lv>) is responsible for family policy and the payment of child-rearing allowances.

State Social Insurance Agency (<http://www.vsaa.gov.lv>) and local insurance offices award and pay benefits.