

Panama

Exchange rate: US\$1.00 = 1.00 balboa

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1941.

Current law: 2005 (social insurance and individual accounts).

Type of program: Social insurance and individual account system.

Note: In January 2008, a system of individual accounts was introduced as a supplement to the social insurance system. The mixed system is mandatory for all new entrants to the labor force since 2008 and self-employed persons who were younger than age 35 on January 1, 2007.

Coverage

Social insurance: Public- and private-sector employees, including Panamanian citizens working abroad; casual, seasonal, and household workers; and self-employed persons.

Voluntary coverage for persons not subject to compulsory coverage.

Individual account: Public- and private-sector employees who entered the labor force for the first time since 2008 and have gross monthly earnings greater than 500 balboas, including citizens working abroad; casual, seasonal, and household workers; and self-employed persons who were younger than age 35 on January 1, 2007.

Exclusions: Workers with monthly earnings less than 500 balboas.

Source of Funds

Insured person

Social insurance: 9.25% of gross monthly earnings of 500 balboas or less. The voluntarily insured contribute 13.5% of gross monthly earnings of 500 balboas or less.

Individual account: 8.16% of gross monthly earnings above 500 balboas.

The insured's contribution to the individual account includes 1% of the earnings above 500 balboas for collective old-age and disability insurance and 0.0875% of the earnings above 500 balboas for the solidarity contribution.

The minimum earnings used to calculate contributions are 1.67 times the minimum monthly old-age pension.

There are no maximum earnings used to calculate contributions.

Self-employed person

Social insurance: 13.5% of gross declared monthly earnings of 500 balboas or less.

Individual account: 12.41% of gross monthly earnings above 500 balboas.

The self-employed person's contribution to the individual account includes 1% of the earnings above 500 balboas for collective old-age and disability insurance and 0.0875% of the earnings above 500 balboas for the solidarity contribution.

The minimum earnings used to calculate contributions are 1.67 times the minimum monthly old-age pension.

There are no maximum earnings used to calculate contributions.

Employer

Social insurance: 4.25% of gross monthly payroll if the employee has gross monthly earnings of 500 balboas or less.

Individual account: 4.25% of the payroll above 500 balboas if the employee has gross monthly earnings greater than 500 balboas.

The minimum earnings used to calculate contributions are 1.67 times the minimum monthly old-age pension.

There are no maximum earnings used to calculate contributions.

Government:

Social insurance: A deposit of 140 million balboas a year to a reserve fund.

Individual account: An annual subsidy of 20.5 million balboas and administrative fees through designated taxes.

Qualifying Conditions

Old-age pension (social insurance and individual account): Age 62 (men) or age 57 (women) with at least 20 years of contributions; with 10 to 15 years of contributions for seasonal agricultural and construction workers.

Employment must cease.

Early pension (social insurance): Age 60 (men) or age 55 (women) with at least 180 months of contributions.

Partial pension (social insurance): Age 62 (men) or age 57 (women) with 180 months to 239 months of contributions.

Early partial pension (social insurance): Age 60 (men) or age 55 (women) with 180 months to 239 months of contributions.

Deferred pension (social insurance): A deferred pension is possible.

Dependent's supplement: Age 62 (men) or age 57 (women) with dependent family members. The supplement is paid in addition to the pension.

The old-age pension is payable abroad.

Old-age settlement (social insurance and individual account): Age 62 (men) or age 57 (women) but does not meet the contribution requirements for an old-age pension.

Disability pension (social insurance and individual account): Must be assessed with at least a 66.7% loss of earning capacity. Up to age 30 with at least three years of contributions, including at least 18 months in the last three years; aged 31 to 40 with at least four years of contributions, including at least two years in the last four years; older than age 40 but younger than the normal retirement age with at least five years of contributions, including at least 30 months in the last five years; or at any age with at least 20 years of contributions.

The pension is paid for up to two years (may be extended) and the assessed degree of disability may be reviewed at any time at the request of the insured or the Social Insurance Fund.

The Medical Qualification Commission assesses the degree of disability.

The disability pension is payable abroad.

Disability grant (social insurance and individual account): Paid if the insured does not meet the contribution requirements for a full disability pension.

Survivor pension (social insurance): The deceased received or was entitled to receive an old-age or disability pension or had at least three years of contributions, including at least 18 months in the last three years before the death.

Eligible survivors include a widow(er) and orphans younger than age 14 (age 18 if a student, no limit if disabled); if there are no other survivors, the parents.

The survivor pension is payable abroad.

Survivor grant (social insurance): The deceased did not qualify for an old-age or disability pension.

Funeral grant (social insurance): Paid if the deceased had six months of contributions during the 12 months before death.

Survivor pension (individual account): Eligible survivors include a widow(er) and orphans younger than age 18 (no limit if disabled); if there are no other survivors, the mother and father; if there is no other family member, the designated heir.

Old-Age Benefits

Old-age pension (social insurance): 60% of the insured's average earnings in the best 10 years of earnings plus 1.25% of earnings for each 12-month period of contributions exceeding 20 years is paid.

Early pension: A reduced pension is paid equal to the old-age pension multiplied by 0.9128 for one year before the

normal age of retirement or by 0.8342 for two years before the normal age of retirement.

Partial pension: 60% of the insured's average earnings in the best 10 years of earnings multiplied by the number of months of contributions divided by 20 years is paid.

Early partial pension: A reduced pension is paid equal to the partial pension multiplied by 0.9128 for one year before the normal age of retirement or by 0.8342 for two years before the normal age of retirement.

Deferred pension: 2% of earnings is paid for each year of contributions after the normal retirement age.

The minimum monthly pension is 235 balboas (2010).

The maximum monthly pension is 1,500 balboas (2,000 or 2,500 balboas under certain conditions).

Old-age settlement (social insurance): A lump sum of one month of the old-age pension is paid for each six-month period of contributions.

Dependent's supplement: 20 balboas a month is paid for a wife, female partner, or a husband with a disability; 10 balboas a month for each child younger than age 14 (age 18 if a student, no limit if disabled), up to 100 balboas.

Benefit adjustment: Benefits are adjusted on an ad hoc basis according to economic conditions; unless otherwise stated, the minimum pension will increase by 10 balboas a month every five years.

Old-age pension (individual account): The insured's contributions plus accrued interest divided by an actuarial value linked to life expectancy is paid in programmed withdrawals. If the pensioner lives beyond the estimated life expectancy and the individual account is depleted, collective insurance tops up the accumulated capital in the individual account to finance the old-age pension.

The maximum pension is 500 balboas a month.

Old-age settlement (individual account): A lump sum of the accumulated capital plus interest is paid.

Permanent Disability Benefits

Disability pension (social insurance): 60% of the insured's average earnings in the best 10 years of earnings plus 1.25% of earnings for each year of contributions exceeding 20 years.

The minimum monthly pension is 185 balboas (2010).

The maximum monthly pension is 1,500 balboas (2,000 balboas or 2,500 balboas under certain conditions).

Dependent's supplement: 20 balboas a month is paid for a wife, female partner, or a husband with a disability; 10 balboas a month for each child younger than age 14 (age 18 if a student, no limit if disabled), up to 100 balboas.

Benefit adjustment: Benefits are adjusted on an ad hoc basis according to economic conditions; unless otherwise stated,

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the minimum pension will increase by 10 balboas a month every five years.

Disability pension (individual account): The insured's contributions plus accrued interest divided by an actuarial value linked to life expectancy is paid in programmed withdrawals.

If the combined social insurance plus individual account disability pension is less than what the insured would have been entitled to under the old social insurance system, collective insurance pays the difference.

The maximum pension is 500 balboas a month.

Disability grant (social insurance): A lump sum of one month of old-age pension is paid for each six-month period of contributions.

Disability grant (individual account): A lump sum of the accumulated capital plus interest is paid.

Survivor Benefits

Spouse's pension (social insurance): 50% of the old-age or disability pension the deceased received or was entitled to receive is paid to a widow(er).

Orphan's pension (social insurance): 20% of the old-age or disability pension the deceased received or was entitled to receive is paid for each orphan younger than age 14 (age 18 if a student, no limit if disabled); 50% for a full orphan.

Other dependents (social insurance): 30% of the old-age or disability pension the deceased received or was entitled to receive is paid to the deceased's mother or aged father with a disability.

All survivor benefits combined must not exceed 100% of the old-age or disability pension the deceased received or was entitled to receive.

Survivor grant (social insurance): A lump sum of one month of the old-age pension is paid for each six-month period of contributions.

Benefit adjustment: Benefits are adjusted on an ad hoc basis according to economic conditions; unless otherwise stated, the minimum pension will increase by 10 balboas a month every five years.

Funeral grant (social insurance): A lump sum of 300 balboas is paid.

Survivor pension (individual account): The accumulated capital plus interest is paid to eligible survivors in programmed withdrawals, according to rules set by the advisory board of the Social Insurance Fund.

Administrative Organization

Social Insurance Fund (<http://www.css.gob.pa>), managed by a director general with an advisory board, administers the social insurance and individual account programs.

Sickness and Maternity

Regulatory Framework

First law: 1941.

Current law: 2005 (social insurance).

Type of program: Social insurance system.

Coverage

Public- and private-sector employees, including household workers; and pensioners.

Voluntary coverage is available.

Source of Funds

Insured person: 0.5% of gross earnings; 8.75% for the voluntarily insured; pensioners pay a percentage of the monthly pension.

The minimum earnings used to calculate contributions are the legal monthly minimum wage; 100 balboas for household workers; 300 balboas for pensioners.

There are no maximum earnings used to calculate contributions.

Self-employed person: 8.5% of declared earnings.

The minimum earnings used to calculate contributions are the legal monthly minimum wage; 100 balboas for household workers; 300 balboas for pensioners.

There are no maximum earnings used to calculate contributions.

Employer: 8% of gross payroll.

The minimum earnings used to calculate contributions are the legal monthly minimum wage; 100 balboas for household workers; 300 balboas for pensioners.

There are no maximum earnings used to calculate contributions.

Government: 10% of income received from the sale of rights to fiber optic business operations.

Qualifying Conditions

Cash sickness benefits: Must have at least six months of contributions in the last nine months before the sickness began.

Cash maternity benefits: Must have at least nine months of contributions in the year before the seventh month of pregnancy.

Medical benefits: Must be currently insured or a pensioner; if the insured becomes unemployed, coverage continues for three months after employment ceases (two years for insured persons with at least 20 years of contributions).

Sickness and Maternity Benefits

Sickness benefit: 70% of the insured's average earnings in the two months before the sickness began is paid for up to one year.

There are no minimum or maximum benefits.

Maternity benefit: 100% of the insured's average earnings in the last nine months is paid for up to six weeks before and eight weeks after the expected date of childbirth.

There is no provision for paid parental leave.

Workers' Medical Benefits

Benefits include general and specialist care, surgery, hospitalization, laboratory and X-ray services, medicine, maternity care, dental care, dental prosthesis, and appliances.

Dependents' Medical Benefits

Medical benefits for dependents are the same as those for the insured.

Eligible dependents include the insured's wife or partner who lived with the insured for at least nine months; children younger than age 18 (age 25 if a student, no limit if disabled); and dependent parents.

Administrative Organization

Social Insurance Fund (<http://www.css.gob.pa>), managed by a director general with an advisory board, administers the program.

Social Insurance Fund operates its own hospitals and other medical facilities in larger cities.

Work Injury

Regulatory Framework

First law: 1916.

Current laws: 1970 (occupational risks).

Type of program: Employer-liability system, involving compulsory insurance with a public carrier.

Coverage

Public- and private-sector employees.

Exclusions: Self-employed persons and household workers.

Source of Funds

Insured person: None.

Self-employed person: Not applicable.

Employer: The total cost is financed through the payment of insurance premiums, which vary according to the assessed degree of risk.

Government: None.

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period. Accidents that occur while commuting to and from work are covered.

Temporary Disability Benefits

100% of the insured's average earnings in the last two months before the disability began is paid for the first two months; thereafter, 60% is paid until recovery or certification of permanent disability.

Permanent Disability Benefits

Permanent disability pension: For a total (100%) disability, 60% of the insured's average earnings in the last 12 months before the disability began is paid.

The minimum monthly pension is 185 balboas (2010).

The maximum monthly pension is 1,500 balboas.

Partial disability: For an assessed degree of disability of at least 35%, a percentage of the full permanent disability pension is paid according to the assessed degree of disability.

For an assessed degree of disability of less than 35%, a lump sum of three years of the full permanent disability pension is paid.

The Medical Qualification Commission assesses the disability.

The permanent disability pension is paid for life when the insured reaches age 60 (men) or age 55 (women).

The pension is payable abroad.

Benefit adjustment: Unless otherwise stated, the minimum pension will increase by 10 balboas a month every five years.

Workers' Medical Benefits

Benefits include general and specialist care, surgery, medicine, hospitalization, and appliances.

Survivor Benefits

Spouse's pension: 25% of the deceased's earnings (30% if the sole beneficiary or if disabled) is paid to the widow or female partner; 25% of the deceased's earnings (30% if the sole beneficiary) is paid to a disabled or aged widower.

Orphan's pension: 15% of the deceased's earnings is paid for one orphan younger than age 18 (no age limit if disabled); 25% for two orphans; 35% for three orphans; and 40% for four or more orphans. If there is no widow(er), 20% of the deceased's earnings is paid for one orphan; 15% each for two or more full orphans. If there is more than one eligible orphan, the pension is split equally among them.

Other dependent's pension: If there are no other survivors, 20% to 30% of the deceased's earnings is paid to the

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mother for up to 10 years; 10% to a father who is aged 60 or older or disabled. Brothers or sisters of the deceased who are younger than age 18 (no limit if disabled) receive the same amount as an orphan would have received.

All survivor benefits combined must not exceed 75% of the deceased's earnings.

The pension is payable abroad.

Funeral grant: A lump sum of 300 balboas is paid.

Administrative Organization

Social Insurance Fund (<http://www.css.gob.pa>), managed by a director general with an advisory board, administers the program.

Social Insurance Fund operates its own hospitals and other medical facilities in larger cities.

Unemployment

Regulatory Framework

No statutory benefits are provided.

The 1995 Labor Code requires employers with more than five employees to set up a severance fund administered by a bank, private insurer, or investment companies. Contributions to the severance funds are compulsory for employers and voluntary for employees.