

## Iceland

Exchange rate: US\$1.00 equals 61.09 kronur.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First laws:** 1909 and 1980.

**Current laws:** 1992 (disability); 1997 (pension funds); 2007 (social security), with amendments; and 2007 (social assistance).

**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 gross earnings.

There are no maximum earnings for contribution purposes.

##### Self-employed person

*Universal pension:* 5.34% of presumptive income. (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 and paternity benefits, work injury benefits, and unemployment benefits.

*Mandatory occupational pension:* 12% of earnings.

##### Employer

*Universal pension:* 5.34% of gross payroll.

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

*Mandatory occupational pension:* 8% 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 at least 40 years.

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

*Deferred pension:* A deferred pension is possible up to age 72 with increased benefits.

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

A disability allowance is paid with a 50% to 74% assessed degree of permanent disability.

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:* Paid for the loss of at least 50% 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 and the survivors must have resided in Iceland for at least 3 years.

Eligible survivors are orphans.

*Bereavement social allowance:* Paid to a spouse who is widowed before reaching age 67.

*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 308,400 kronur a year. The benefit is reduced when annual income exceeds 2,296,111 kronur and ceases when annual income exceeds 3,324,111 kronur. The pension is paid monthly.

Pension supplement: 973,200 kronur a year is paid for a single person. The supplement is reduced when annual income exceeds a certain amount. The supplement is paid monthly.

The maximum pension is paid if the insured has resided in Iceland for at least 40 years; the pension is reduced proportionately according to the number of years of residency less than 40.

Different amounts apply for married or cohabiting couples.

Child's supplement: 19,000 kronur a month is paid for each child younger than age 18.

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

Benefit adjustment: Benefits are adjusted annually depending on 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 paid 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 8,993 kronur 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 308,400 kronur a year. The pension is reduced when annual income exceeds 2,349,653 kronur and ceases when annual income exceeds 3,583,253 kronur. 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 228,000 kronur a year.

Pension supplement: 987,600 kronur a year is paid for a single person. The supplement is reduced when annual income exceeds a certain amount. The supplement is paid monthly.

Age-related pension supplement: From a minimum of 4,632 kronur to a maximum of 308,400 kronur 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 at least 40 years, with coverage projected up to age 67; the pension is reduced proportionately according to the number of years of residency less than 40.

Different amounts apply for married or cohabiting couples.

Child's supplement: 19,000 kronur a month is paid for each dependent child younger than age 18; the supplement is doubled if both parents are disabled.

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

Benefit adjustment: Benefits are adjusted annually depending on 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: 8,993 kronur 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 19,000 kronur a month. The pension is doubled for full orphans.

*Bereavement social allowance:* The widow(er) may receive 28,300 kronur a month for a maximum of 6 months; a reduced allowance of 21,200 kronur 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 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:** Different maximum amounts apply for the orphan of an old-age pensioner and the orphan of a disability pensioner. The minimum pension is 12,182 kronur 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 Social Affairs and Social Security (<http://felagsmalaraduneyti.is>) provides general supervision.

Social Insurance Administration (<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), 1973 (health service), and 1975 (maternity leave and benefits).

**Current laws:** 2000 (maternity and paternity leave) with amendments; 2007 (health service); and 2007 (social security).

**Type of program:** Universal and social insurance system.

#### Coverage

**Cash sickness benefits:** 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, for cash maternity and paternity benefits.

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

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

#### Qualifying Conditions

**Sickness benefits:** The insured 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 and 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 and paternity grants:** The insured must have resided in Iceland for 12 months before the expected date of childbirth (for new residents).

**Medical benefits:** The insured must have resided in Iceland for at least 6 months (for new residents).

#### Sickness and Maternity Benefits

**Sickness benefit:** A minimum of 1,000 kronur a day is paid for persons who have to give up full-time gainful employment; 500 kronur a day is paid for persons who have to give up at least 50% of employment. The benefit is paid 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 paid until wages have ceased.)

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

**Child's supplement:** 270 kronur a day is paid for each child younger than age 18.

**Maternity and 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.

The total combined leave period for a mother and father is 3 months. 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 74,945 kronur a month; if employed between 50% and 100%, the minimum benefit is 103,869 kronur a month.

The maximum benefit is 535,700 kronur a month.

**Maternity and paternity grants:** 45,324 kronur a month is paid to parents working less than 25% time or who are non-active. The grant for a parent attending a full-time education program is 103,869 kronur a month.

### **Workers' Medical Benefits**

A minimum fee is charged for a doctor visit. Inpatient treatment in a public hospital is free of charge. Free medication 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 charged for a doctor visit. 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 (<http://heilbrigdisraduneyti.is>) and the Ministry of Social Affairs and Social Security (<http://felagsmalaraduneyti.is>) provide general supervision.

Social Insurance Administration (<http://www.tr.is>) administers the programs through local offices.

### **Work Injury**

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#### **Regulatory Framework**

**First law:** 1925.

**Current laws:** 1992 (disability); 2007 (social security), with amendments; and 2007 (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.

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

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

### **Qualifying Conditions**

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

### **Temporary Disability Benefits**

1,220 kronur a day is paid after a 7-day waiting period if the incapacity for work lasts for at least 10 days. The benefit is paid for a maximum of 52 weeks.

Child's supplement: 2,270 kronur 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 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 depending on 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%, 308,400 kronur 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: 987,600 kronur a year is paid for a single person.

Age-related pension supplement: From a maximum of 308,400 kronur to a minimum of 4,632 kronur a year is paid, depending on the insured's age when they first became entitled to a disability pension.

Child's supplement: 19,000 kronur a month is paid for each child younger than age 18 supported by the insured when the disability began. If the assessed degree of disability is 75% or more, a supplement is also paid for dependent children older than age 18.

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

Benefit adjustment: Benefits are adjusted annually depending on 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 date of injury or the date the occupational disease was diagnosed, the surviving spouse receives 28,300 kronur a month for 8 years.

**Orphan's pension:** Each orphan younger than age 18 receives 19,000 kronur a month; the pension is doubled for full orphans. Disabled children older than age 16 who were supported by the deceased when the injury occurred or the occupational disease was diagnosed receive a benefit of between 354,000 kronur and 1,062,300 kronur, depending on the degree of necessary support.

In the absence of other surviving relatives, a lump sum of 495,800 kronur is paid to the deceased's surviving children or, otherwise, to the estate.

Benefit adjustment: Benefits are adjusted annually depending on 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 (<http://heilbrigdisraduneyti.is>) provides general supervision.

Social Insurance Administration (<http://www.tr.is>) administers the programs through local offices.

## **Unemployment**

### **Regulatory Framework**

**First law:** 1956.

**Current laws:** 2006 (unemployment), with amendments; and 2006 (labor market).

**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.

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

**Government:** None.

### **Qualifying Conditions**

**Unemployment benefits:** The insured must be aged 16 to 69, reside in Iceland, and have at least 10 weeks of insured employment in the previous 12 months. The insured must be registered at an employment office, be actively seeking, and available for, work, and 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 5,446 kronur a day. The minimum benefit, after 10 weeks of full employment, is 1,362 kronur a day. 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 3 years.

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

The full daily benefit is paid for 10 days; thereafter, daily benefits are based on 70% of average earnings.

Average earnings are based on earnings during the 6-month period ending 2 months before becoming unemployed.

**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 depending on 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 and Social Security (<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:** 2003 (income tax) and 2007 (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 18 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 2008 is 57,891 kronur for children younger than age 7 at the end of the 2007 income year.

In addition, married or cohabiting parents receive a supplement of 144,116 kronur for the first child and 171,545 kro-

nur for the second and each additional child. Single parents receive a supplement of 240,034 kronur for the first child and 246,227 kronur for the second and each additional child.

**Income test:** Benefits are reduced according to certain rules when income exceeds 2,415,492 kronur for married or cohabiting parents; 1,207,746 kronur for single parents.

**Child education grant:** 19,000 kronur a month is paid to children aged 18 to 20 who are in full-time education or vocational training if one or both parents are deceased or an old-age or disability pensioner.

**Social 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.

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

Ministry of Social Affairs and Social Security (<http://felagsmalaraduneyti.is>) supervises benefits administered by the Social Insurance Administration (<http://www.tr.is>) and supervises benefits administered by local authorities.

Social Insurance Administration (<http://www.tr.is>) and local authorities administer social allowances.