

## Panama

Exchange rate: US\$1.00 = 1.00 balboa.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First laws:** 1941 and 2010.

**Current laws:** 2005 (social insurance and individual accounts) and 2014 (noncontributory pension).

**Type of program:** Social insurance, mandatory individual account, and social assistance system.

#### Coverage

**Social insurance only:** Public- and private-sector employees and self-employed persons who were insured and were older than age 35 on January 1, 2006; public- and private-sector employees who were insured and younger than age 35 or who started working from January 1, 2006, to December 31, 2007, and did not choose to participate in the mixed social insurance and mandatory individual account system.

**Social insurance and mandatory individual account (mixed):** Public- and private-sector employees who were insured and aged 35 or younger on January 1, 2006, and who chose to participate in the mixed system before December 31, 2007; public- and private-sector employees who started working from January 1, 2006, to December 31, 2007, and who chose to participate in the mixed system; and public- and private-sector employees who started working after December 31, 2007.

Exclusions: Self-employed persons.

**Mandatory individual account only:** Self-employed persons aged 35 or younger on January 1, 2007, with gross annual earnings greater than 9,600 balboas.

Voluntary coverage for persons not subject to mandatory coverage.

**Social assistance:** Needy citizens of Panama.

#### Source of Funds

##### Insured person

**Social insurance only:** 9.25% of gross monthly earnings (7.25% of the thirteenth salary).

There are no maximum earnings used to calculate contributions.

**Social insurance and mandatory individual account:** 9.25% of the first 500 balboas of gross monthly earnings to social insurance (7.25% of the thirteenth salary) plus 9.25% of

gross monthly earnings above 500 balboas to the individual account (7.25% of the thirteenth salary).

There are no maximum earnings used to calculate contributions to the individual account.

**Mandatory individual account only:** Not applicable.

**Social assistance:** None.

##### Self-employed person

**Social insurance only:** 13.5% of gross monthly declared earnings.

**Social insurance and mandatory individual account:** Not applicable.

**Mandatory individual account only:** 13.5% of 52% of gross annual earnings.

There are no maximum earnings used to calculate contributions.

**Social assistance:** None.

##### Employer

**Social insurance only:** 4.25% of gross monthly earnings (10.75% of the thirteenth salary).

There are no maximum earnings used to calculate contributions.

**Social insurance and individual account:** 4.25% of the first 500 balboas of gross monthly earnings to social insurance (10.75% of the thirteenth salary) plus 4.25% of gross monthly earnings greater than 500 balboas to the individual account (10.75% of the thirteenth salary).

**Individual account only:** None.

**Social assistance:** None.

##### Government

**Social insurance only:** Subsidies as needed.

**Social insurance and individual account:** 0.8% of all insured persons' earnings and designated taxes partially fund the administrative costs; an annual subsidy of 20.5 million balboas.

The government's contributions to social insurance also finances sickness and maternity benefits.

**Individual account only:** None.

**Social assistance:** The total cost.

#### Qualifying Conditions

**Old-age pension (social insurance and mandatory individual account):** Age 62 (men) or age 57 (women) with at least 240 months of contributions; with at least 120 months of contributions for seasonal agricultural and construction workers; no contribution requirement for self-employed persons.

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Early pension (social insurance): Age 60 (men) or age 55 (women) with at least 240 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): The pension may be deferred.

Dependent's supplement (social insurance): Age 62 (men) or age 57 (women) with dependent family members.

Top-up benefit (mandatory individual account): Must have been voluntarily enrolled in the mixed system between 2006 and 2007 with contributions on earnings above 500 balboas a month in the 12 months before enrolling in the mixed system.

The old-age pension is payable abroad.

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

**Old-age social pension (120 a los 65 pension, social assistance, means tested):** Age 65, assessed as needy, and not receiving any other pension.

Beneficiaries must undergo periodic medical examinations.

**Disability pension (social insurance and mandatory individual account):** Must have at least a 66.7% assessed loss of earning capacity and at least three years of contributions, including at least 18 months in the last three years, if aged 30 or younger; at least four years of contributions, including at least two years in the last four years, if aged 31 to 40; at least five years of contributions, including at least 30 months in the last five years, if aged 41 to the normal retirement age; or at least 20 years of contributions at any age.

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 mandatory individual account):** Must have at least a 66.7% assessed loss of earning capacity and not meet the contribution requirements for a 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 18 (no limit if disabled); or if there are no other

survivors, the deceased's mother or aged father with a disability.

The survivor pension is payable abroad.

**Survivor pension (mandatory individual account):** The deceased has an account balance.

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.

**Survivor grant (social insurance):** The insured deceased did not receive or was not entitled to receive a social insurance old-age or disability pension at the time of death.

**Funeral grant (social insurance):** The deceased received or was entitled to receive a social insurance old-age pension or disability pension at the time of death, or had at least six months of contributions in the 12 months before death.

### 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 average earnings for each 12-month period of contributions exceeding 20 years is paid.

For seasonal agricultural and construction workers, 60% of the insured's average earnings in the best 10 years of earnings multiplied by the number of months of contributions divided by 180 months is paid. The maximum annual earnings used to calculate benefits for seasonal agricultural and construction workers is 3,500 balboas.

The minimum monthly old-age pension is 245 balboas. There is no minimum monthly old-age pension for seasonal agricultural and construction workers.

The maximum monthly old-age pension for social insurance only is 1,500 balboas (2,000 balboas with 25 years of contributions and an average monthly salary of 2,000 balboas or more in the last 15 contribution years or 2,500 balboas with 30 years of contributions and an average monthly salary of 2,500 balboas or more in the 20 highest contribution years).

The maximum monthly pension for the social insurance component of the mixed system is 500 balboas.

Early pension: The old-age pension is multiplied by 0.9128 if claimed one year before the normal retirement age or by 0.8342 if claimed two years before the normal retirement age.

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: The partial pension is multiplied by 0.9128 if claimed one year before the normal retirement age or by 0.8342 if claimed two years before the normal retirement age.

Deferred pension: 2% of the insured's average monthly earnings in the best 10 years of earnings is paid for each year of contributions after the normal retirement age.

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.

**Old-age pension (mandatory individual account):** The insured's account balance divided by an actuarial value linked to life expectancy is paid as programmed withdrawals. If the pensioner lives beyond the estimated life expectancy and the individual account is depleted, collective insurance tops up the account balance.

Top-up benefit: A monthly benefit is paid based on the amount the insured contributed on earnings greater than 500 balboas a month before switching to the mixed system.

**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.

**Old-age settlement (mandatory individual account):** A lump sum of the account balance is paid.

**Old-age social pension (120 a los 65, social assistance, means tested):** 120 balboas a month 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 is paid for up to two years (may be extended).

The minimum monthly pension is 245 balboas.

The maximum monthly pension for social insurance only is 1,500 balboas (2,000 balboas with 25 years of contributions and an average monthly salary of 2,000 balboas in the last 15 contribution years or 2,500 balboas with 30 years of contributions and an average monthly salary of 2,500 balboas or more in the 20 highest contribution years).

The maximum monthly pension for the social insurance component of the mixed system is 500 balboas.

Dependent's supplement (social insurance): 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.

**Disability pension (mandatory individual account):** The insured's account balance divided by an actuarial value linked to life expectancy is paid in programmed withdrawals.

If the combined social insurance and 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.

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

**Disability grant (mandatory individual account):** A lump sum of the account balance is paid.

### **Survivor Benefits**

#### **Survivor pension (social insurance)**

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

*Orphan's pension:* 20% of the social insurance old-age or disability pension the deceased received or was entitled to receive is paid for each eligible child; 50% for a full orphan.

*Other dependent's pension:* 30% of the social insurance old-age or disability pension the deceased received or was entitled to receive is paid to an eligible parent.

The minimum monthly survivor benefit is 120 balboas.

The maximum combined survivor pension is 100% of the social insurance old-age or disability pension the deceased received or was entitled to receive.

Benefit adjustment: Benefits are adjusted on an ad hoc basis according to economic conditions.

**Survivor pension (mandatory individual account):** The total account balance is paid to eligible survivors as programmed withdrawals.

**Survivor grant (social insurance):** A lump sum of one month of the social insurance old-age or disability pension the deceased received or was entitled to receive is paid for each six-month period of contributions.

**Funeral grant (social insurance):** A lump sum of 300 balboas is paid to the person who paid for the funeral.

### **Administrative Organization**

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

Ministry for Social Development (MIDES) (<http://www.mides.gob.pa/>) administers the noncontributory pension.

### **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 for employed and self-employed persons without mandatory coverage; employees of embassies, permanent missions, and international organizations working in Panama, and caregivers.

### Source of Funds

**Insured person:** 0.5% of gross monthly earnings; pensioners pay 4.65% of the monthly pension.

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

The legal monthly minimum wage varies according to industry, region, and company size.

There are no maximum earnings used to calculate contributions.

**Self-employed person:** 8.5% of monthly declared earnings.

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

The legal monthly minimum wage varies according to industry, region, and company size.

There are no maximum earnings used to calculate contributions.

**Employer:** 8% of gross payroll.

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

The legal monthly minimum wage varies according to industry, region, and company size.

There are no maximum earnings used to calculate contributions.

**Government:** None. (A provision in the law to contribute 10% of the income received from the sale of rights to fiber optic business operations has not yet been implemented.)

### Qualifying Conditions

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

**Cash maternity benefit:** 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 daily earnings in the two months before the incapacity began is paid from the fourth day of sickness for up to 26 weeks for the same sickness.

There is no minimum or maximum sickness benefit.

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

### 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 has lived with the insured for at least nine months and is economically dependent on him or her; children younger than age 18 (age 25 if a student, no limit if disabled); and a dependent father aged 60 or older and mother aged 50 or older, or at any age if disabled.

### Administrative Organization

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

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

### Work Injury

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#### Regulatory Framework

**First law:** 1916.

**Current law:** 1970 (occupational risks).

**Type of program:** Employer-liability system through 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 (pays insurance premiums, which vary according to the assessed degree of risk).

**Government:** None; contributes as an employer.

## Qualifying Conditions

Must be assessed with a work injury or occupational disease. 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 permanent disability pension for is 245 balboas.

The maximum monthly permanent disability pension is 1,500 balboas.

**Partial disability:** For an assessed degree of disability of at least 35% but less than 100%, 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 permanent disability pension is paid for life after age 60 (men) or age 55 (women).

The Medical Assessment Commission assesses the disability.

The permanent disability pension is payable abroad.

## Workers' Medical Benefits

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

## Survivor Benefits

### Survivor pension

**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.

**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 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.

The maximum combined survivor pension is 75% of the deceased's earnings.

The survivor 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 for an investment company. Contributions to the severance funds are compulsory for employers and voluntary for employees.

## Family Allowances

### Regulatory Framework

**First laws:** 2007 (social assistance), 2009 (noncontributory pension), and 2010 (education allowances).

**Current laws:** 2012 (social assistance for disabled people), 2014 (non-contributory pension), and 2014 (education allowances).

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

### Coverage

**Universal:** Citizens of Panama.

**Social assistance:** Needy families.

## Source of Funds

**Insured person:** None.

**Self-employed person:** None.

**Employer:** None.

**Government:** The total cost.

### **Qualifying Conditions**

**School cash transfer (Beca Universal, universal):** Paid for children attending primary, middle, and secondary school. Students in primary school must have passed the previous school year. Students in secondary school (ages 12 to 15) must pass all subjects to receive the monthly benefit. Students in all levels must have a grade point average of at least 3.0, undergo medical check-ups; and receive all required vaccinations.

**Disability cash transfer (Ángel Guardián, social assistance, income tested):** Paid to persons with severe disabilities who need constant attendance and live in conditions of extreme poverty.

Income test: Monthly family income must be below the cost of the basic food basket (302.16 balboas a month in Panama City and San Miguelito or 277.43 balboas a month in the rest of the country in 2015).

**Family cash transfer (Red de Oportunidades, social assistance, income tested):** Paid to families with children under age 18 who meet certain health and education-related conditions or have family members aged 60 to 64 or with disabilities.

Children younger than age 5 and pregnant and nursing women must undergo prescribed medical examinations and meet the vaccination requirements. Children aged 5 to

17 must be enrolled in school and register at least an 85% attendance rate.

Income test: Monthly family income must be below the cost of the basic food basket (302.16 balboas a month in Panama City and San Miguelito or 277.43 balboas a month in the rest of the country in 2015).

### **Family Allowance Benefits**

**School cash transfer (Beca Universal, universal):** 30 balboas a month (270 balboas a year) is paid for a student aged 6 to 11 attending primary school; 40 balboas a month (360 balboas a year) for a student aged 12 to 15 attending middle school; 50 balboas a month (450 balboas a year) for a student aged 15 to 18 attending secondary school.

**Disability cash transfer (Ángel Guardián, social assistance, income tested):** 80 balboas a month is paid.

**Family cash transfer (Red de Oportunidades, social assistance, income tested):** 50 balboas a month is paid.

### **Administrative Organization**

Institute for Training and Human Resources (IFARHU) (<https://www.ifarhu.gob.pa/>) administers the school cash transfer program.

Ministry for Social Development (MIDES) (<http://www.mides.gob.pa/>) administers the disability and family cash transfer programs.