

Bolivia

Bolivia: Pension system in 2010

The Integrated Pension System consists of a universal pension, a non-contributory scheme, which includes the *Renta Dignidad*, a mandatory scheme of individual accounts which include old age, disability and survival benefits, and a solidarity scheme and old-age and survival benefit.

Key indicators

		Bolivia	LAC26
Average earnings	BOB	12 800	48 500
	USD	1 800	7 000
Public pension spending	% of GDP	3.4	3.1
Life expectancy	At birth	67.1	73.6
	At age 65	14.9	17.4
Population over age 65	% of working-age population	9.8	12.3

Qualifying conditions

The minimum retirement age is 58 for both men and women. Women are allowed to retire up to three years earlier (retirement at 55), if they have had pension contributions for at least ten years. There is no maximum retirement age.

Insured people can retire before age 58 when, regardless of their age, if they can finance a replacement rate equal to at least 60% of the average salary, based on the previous 24 contributions.

If an insured person upon reaching the age of 58 and having contributed for at least ten years does not reach the target level of 60% a solidarity pension is granted according to the following scale:

Density of contributions in years	Minimum solidarity limit (BOB)	Maximum solidarity limit (BOB)	Referential percentage
10		476	
11		516	
12		557	
13		598	
14		639	
15		679	
16	721	851	56
17	763	1 024	57
18	806	1 196	58
19	848	1 368	59
20	890	1 540	60
21	932	1 672	61
22	974	1 804	62
23	1 016	1 016	63
24	1 058	1 058	64
25	1 100	1 100	65
26	1 120	1 120	66
27	1 140	1 140	67
28	1 160	1 160	68
29	1 180	1 180	69
30	1 200	1 200	70
31	1 220	1 220	70
32	1 240	1 240	70
33	1 260	1 260	70
34	1 280	1 280	70
35 or more	1 300	1 300	70

When the insured does not meet the requirements for a pension or payment they may withdraw the accumulated balance in the personal insurance account through minimal withdrawals equivalent to 60% of the average of the last 24 payments, or a final withdraw consisting of the return of the capital paid in and its respective earnings.

Benefit calculation

Defined contribution

The defined-contribution pension is a combination of the fraction of the accumulated balance in the individual account and a Monthly Payments Compensation (CCM), where applicable. The fraction of the accumulated balance is obtained through a calculation of the life-time fixed or variable interest income that an insured can earn on the accumulated balance in his/her personal insurance account. The CCM is the recognition by the state to its insured by the contributions made to the existing distribution system through 30 April 1997, which are financed with resources from the National Treasury and that have not generated benefits and payments in the system.

Old-age solidarity pension

The old-age solidarity pension is made up of a fraction of the accumulated balance, the CCM and the Solidarity Fraction. The Solidarity Fraction is calculated as the difference between the old-age solidarity pension, the fraction of the accumulated balance, and the CCM where appropriate to the density of contributions of the insured.

Universal pension (*Renta Dignidad*)

The pension is BOB 2 400 per year and it is paid as an annuity. The benefit is reduced by 25% if the person receives any other type of pension (that is, they would be entitled to 75% of the universal pension equivalent to BOB 150/month). The pension benefit is paid monthly, bimonthly, quarterly, or annually.

Pension benefits are adjusted every three years by the Central Bank and valorisation is based on the source of funds.

Variant careers

Early retirement

Pension benefits may be claimed before age 58, as long as the insured has not contributed to the pay-as-you-go system (before May 1997) and finances the accumulated balance in his/her personal account: and a pension equal to or greater than 60% of their earnings (average of the last 24 contributions), the amount necessary to finance funeral expenses, and a death pension for their dependents. There are no penalties for this type of retirement.

Late retirement

There is no mandatory retirement age.

Personal income tax and social security contributions

Taxation of workers

Contributions, additional solidarity contributions, benefits and all of the benefits of the integrated pension system, as well as the accumulated balance and return obtained by the managed funds, are not taxed.

Social security contributions paid by workers

Workers contribute 10% of the contribution base wage for old-age insurance, plus 1.71% of the contribution base wage for disability and survival from injury, 0.5% of the contribution base wage for administrative fees, and 0.5% of the contribution base wage for the Solidarity Fund. The minimum base wage for contributions to long-term social security is the same as the monthly legal minimum wage.

There is no maximum wage for calculating the pension. To this end, the insured with earnings more than or equal to BOB 13 000 make a periodic provisional declaration. They pay 1% for earnings above BOB 13 000, 5% for earnings above BOB 25 000 and 10% for earnings over BOB 35 000.

Short-term Social Security disability (for illness, maternity, or work-related injury) is financed by the employer on 10% of the total amount earned by the employees.

The employer's contribution is composed of 1.71% of the contribution base wage for disability insurance and workplace injury and 3% of the contribution base wage for the Solidarity Fund.

Taxation of pensioners

Pensions are not taxed.

Social security contributions paid by pensioners

There is a 3% mandatory discount on retirement income for health care (Short-term social security), for retirees and their beneficiaries.

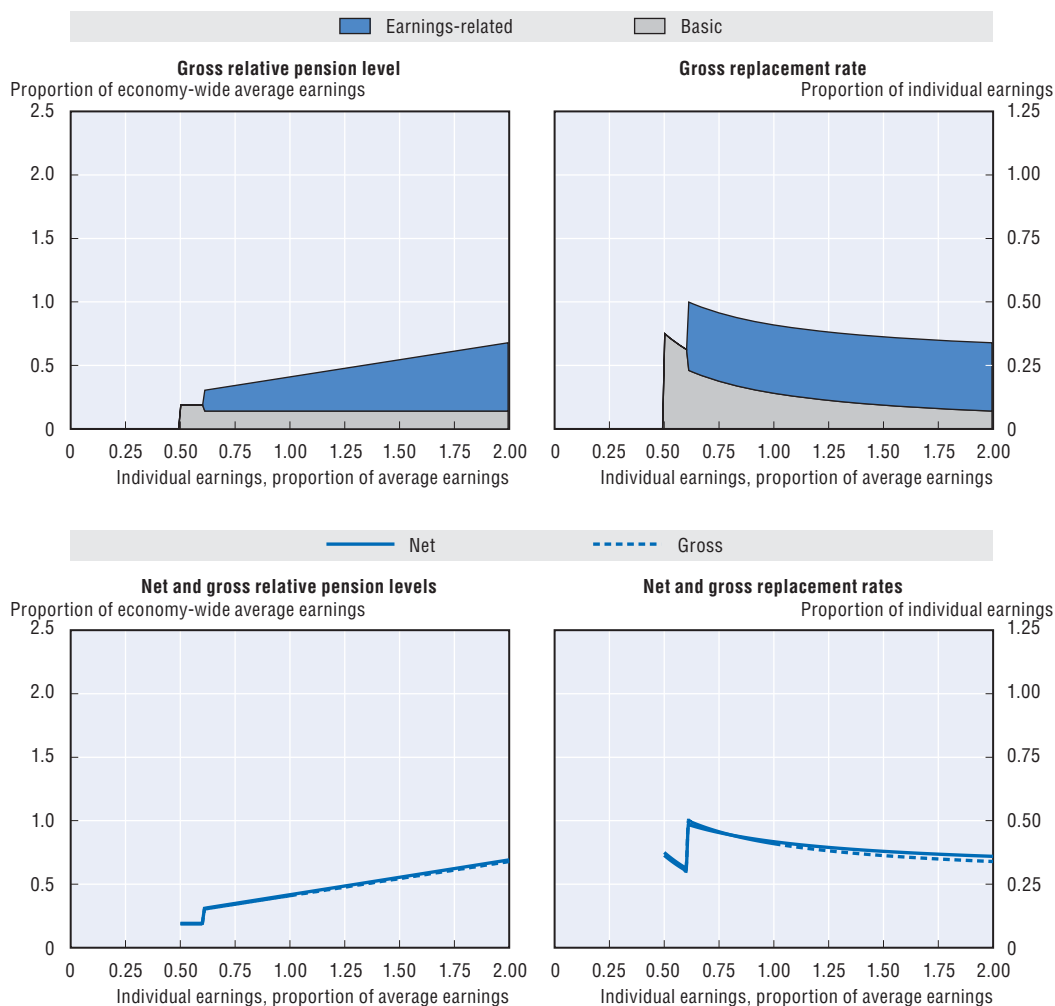
Indexation of benefits

Old-age pensions (expedited starting on 10 December 2010) are indexed as follows: The fraction of the accumulated balance is updated to the mortality of the group receiving an old-age pension, old-age solidarity pension, or pension for dependents, with a death pension, and the profitability of the old-age fund. The component of the Contribution Compensation is updated annually to the yearly variation of the UVE, determined by the Central Bank of Bolivia, in accordance with the consumer-price-index calculated by the National Institute of Statistics. The Fraction of the Accumulated Balance (FSA) is updated yearly in accordance with the mortality of the group of insured receiving an old-age pension, old-age solidarity pension and dependents receiving a death benefit on behalf of the insured. That is, upon the death of a retiree, 80% of the pension is provided to the pensions of the dependents or family of the deceased; the other 20% increases the fund for living retirees. The profitability earned by the Old-Age Fund is also updated. The values of the solidarity pension are updated every five years.


Social assistance for old-age population

The Health Insurance for Older Adults (SSPAM) was created in January 2006, and provides integrated health care free of charge to citizens older than 60 years of age who reside permanently in Bolivia.

Pension modelling results: Bolivia



Men	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1.0	1.5	2.0
Women (where different)						
Gross relative pension level (% average gross earnings)	35.8	18.7	34.2	41.0	54.4	67.9
Net relative pension level (% net average earnings)	36.5	19.1	34.9	41.7	55.4	69.1
Gross replacement rate (% individual gross earnings)	44.3	37.5	45.6	41.0	36.3	33.9
Net replacement rate (% individual net earnings)	44.3	36.4	45.3	41.7	37.9	36.0
Gross pension wealth (multiple of individual gross earnings)	10.3 11.5	8.7 9.7	10.6 11.9	9.5 10.6	8.4 9.4	7.9 8.8
Net pension wealth (multiple of individual gross earnings)	10.0 11.2	8.5 9.5	10.3 11.5	9.2 10.3	8.2 9.1	7.6 8.6

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