

Ecuador

Ecuador: Pension system in 2010

The pension system is a defined-benefit system based on earnings. There is also a non-contributory system for the elderly in need.

Key indicators

		Ecuador	LAC26
Average income	USD	4 400	7 000
	USD	4 400	7 000
Public pension spending	% of GDP	1.3	3.1
Life expectancy	At birth	76.4	73.6
	At age 65	19.6	17.4
Population over 65	% of working-age population	11.9	12.3

Qualifying conditions

Pension benefits can be withdrawn at any age with at least 40 years of contributions. Old-age pension benefits can be withdrawn at age 60 for those with 30 years of contributions; at age 65 with 15 years; and at age 70 with 12 years of contributions. Special rules apply for the armed forces and the police who can retire after 25 years of service.

Benefit calculation

Old-age pension

The monthly old-age pension benefit is equal to a percentage of the average base income for contributions for the last five years that the insured worked. The percentage varies depending on the total number of years of contributions (50% for ten years, 75% for 30 years, 81.25% for 35 years and 100% for 40 years).

The minimum income for contribution calculation purposes for workers in microenterprises is USD 185, USD 200 for household workers, USD 218 for private-sector workers and USD 370 for public-sector workers.

There is no maximum income for contribution calculation purposes.

The minimum monthly pension established for January 2010 has a floor of 50% of the Unified Basic Salary (SBU), which was equal to USD 120.00 and a ceiling of USD 1 308.00. Pension benefits are increased discretely by political decisions. Pensions between USD 120.00 and USD 500.00 were raised by USD 48.00, while those above USD 500.00 were raised by USD 40.15.

Minimum pension

Years of contributions	Minimum pension (%)
Up to 10 years	50 SBU
11-20 years	60 SBU
21-30 years	70 SBU
31-35 years	80 SBU
36-39 years	90 SBU
40 or more years	100 SBU

Maximum old-age pension

Years of contributions	Pension
10-14 years	2.5 SBU
15-19 years	3 SBU
20-24 years	3.5 SBU
25-29 years	4 SBU
30- 34 years	4.5 SBU
35-39 years	5 SBU
40 or more years	5.5 SBU

Old-age pensioners may continue to work after they begin pension benefit receipt. However it is not possible to receive a pension benefit and work for the same employer in the first year.

The pensions are paid monthly and there are two additional bonus payments.

Benefits are adjusted annually in line with earnings, and according to the progressive SBU scale. Old-age pensions are increased in January.

Ranges of pension by unified base salary (SBU)	Growth coefficient (%)
Up to 0.5 SBU	16.16
0.501 SBUM-1 SBU	12.14
1.01 SBUM-1.50 SBU	9.53
1.501 SBUM-2 SBU	7.31
2.01 SBUM-2.5 SBU	5.61
Greater than 2.501 SBU	4.31

Career variants**Early retirement**

Early retirement is not possible until the contribution requirements are met. Early retirement is, however, possible for reasons of disability with at least two years of contributions to the system.

Late retirement

It is possible to defer pension's withdrawal beyond the age of 65.

Personal income tax and social security contributions**Taxation of workers**

Individual income tax rate ranges from 5% to 35% with eight income brackets.

Income taxation, 2010

Basic fraction	Additional amount up to	Tax on basic fraction	Tax on excess of basic fraction (%)
0.00	8 910	0	0
8.910	11 350	0	5
11.350	14 190	122	10
14.190	17 030	406	12
17.030	34 060	747	15
34.060	51 080	3 301	20
51.080	68 110	6 705	25
68.110	90 810	10 963	30
90.810	And above	17 773	35

Social security contributions paid by workers

In 2010, private sector employees contributed 9.35% of their earnings. This includes health, work-related injury and unemployment benefits. The employer's contribution to social security is 11.15%.

Taxation of pensioners

Pensioners do not pay VAT (they are reimbursed for value-added taxes). Additionally, they are given a 50% discount on all basic services.

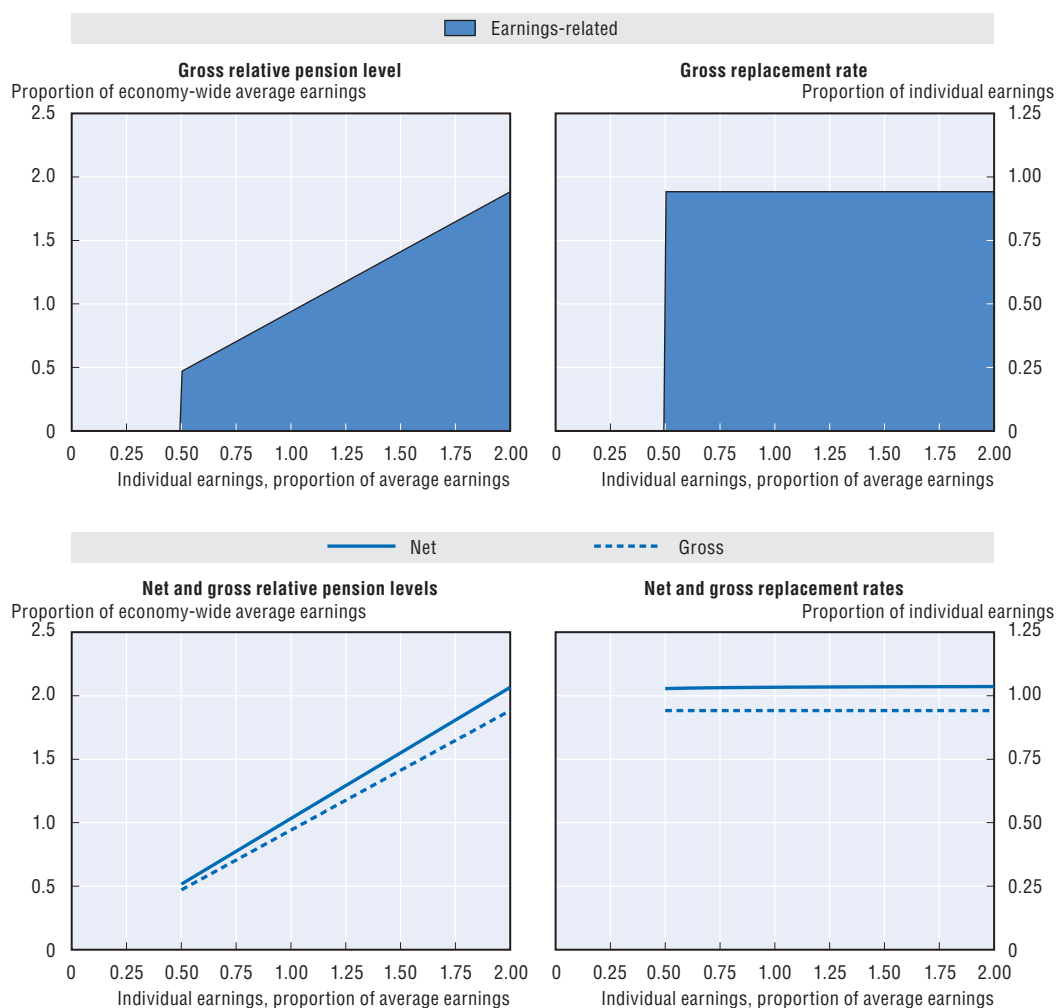
Social security contributions paid by pensioners

Pensioners do not contribute to social security. If a pensioner decides to return to work, his/her pension is suspended and he/she receives only a salary, with the corresponding deductions.


Social assistance programmes for old-age population**Social welfare pension**

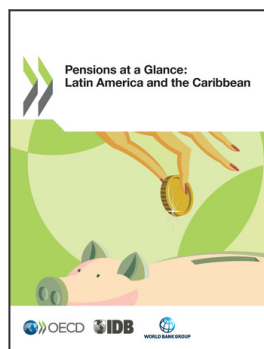
The Development Voucher (El Bono de Desarrollo) is granted to pensioners who are over 65, in extreme poverty, and disabled. They can choose to receive a monetary benefit of USD 35.00 per month per person. According to the results obtained by the Social Registry in establishing the poverty line, any person who falls under the poverty line is eligible for this benefit.

Pension modelling results: Ecuador



Men	Median earner	Individual earnings, multiple of average				
Women (where different)		0.5	0.75	1.0	1.5	2.0
Gross relative pension level (% average gross earnings)	76.3	47.1	70.6	94.2	141.2	188.3
Net relative pension level (% net average earnings)	83.7	51.7	77.5	103.3	155.0	206.6
Gross replacement rate (% individual gross earnings)	94.2	94.2	94.2	94.2	94.2	94.2
Net replacement rate (% individual net earnings)	103.2	102.8	103.2	103.3	103.5	103.6
Gross pension wealth (multiple of individual gross earnings)	23.2 25.6	23.2 25.6	23.2 25.6	23.2 25.6	23.2 25.6	23.2 25.6
Net pension wealth (multiple of individual gross earnings)	23.2 25.6	23.2 25.6	23.2 25.6	23.2 25.6	23.2 25.6	23.2 25.6

StatLink  <http://dx.doi.org/10.1787/888933161679>



From:

Pensions at a Glance

Latin America and the Caribbean

Access the complete publication at:

https://doi.org/10.1787/pension_glance-2014-en

Please cite this chapter as:

OECD/Inter-American Development Bank/The World Bank (2014), “Ecuador”, in *Pensions at a Glance: Latin America and the Caribbean*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264224964-29-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.