

Guatemala

Guatemala: Pension system in 2010

The pension system consists of a public defined-benefit scheme.

Key indicators

		Guatemala	LAC26
Average income	GTQ	21 900	55 900
	USD	2 700	7 000
Public pension spending	% of GDP	0.8	3.1
Life expectancy	At birth	71.9	73.6
	At age 65	17.7	17.4
Population over 65	% of the working-age population	10.3	12.3

Qualifying conditions

In 2010, the retirement age was 60 with at least 180 months (15 years) of contributions.

In 2011 and 2012, at least 192 months (16 years) of contributions will be required. Starting in 2013, the contribution requirement will be increased to 204 months, and starting in 2014, it will be increased to 216 months.

Benefit calculation

Old-age pension

The value of the old-age pension in 2010 was equal to 50% of the average wage in the preceding 60 months, plus 0.5% for every six months of contributions exceeding 120 months.

In 2010, an additional 10% of the amount of the pension for each of the insured's dependents was allocated and is paid to the wife or partner or disabled spouse, each minor child under 18 and disabled children over 18, or the dependent mother and dependent disabled father who are not themselves receiving a pension. In 2011 and until September 2012, this 10% was paid to the insured and calculated on the base earnings regardless of the existence of dependents.

The pension is paid in 12 payments a year plus an additional payment every December for the same amount as the monthly amount (that is, there are 13 payments per year), plus a voucher in December for GTQ 500, called the Annual Family Bonus.

The minimum monthly pension is GTQ 340. However, in view of the extra payment mentioned in the preceding paragraph, the average minimum monthly pension is GTQ 410 per month.

The minimum earnings for calculation purposes is GTQ 6 000. The maximum pension can reach 80% of the maximum earnings for calculation purposes, or GTQ 4 800.

The base compensation is calculated based on the average wage in the last five years, with a maximum amount of GTQ 6 000.

If an insured does not meet the minimum requirements of age and number of contributions, upon request, 70% of the contributions will be returned to him or her.

Benefits are adjusted periodically based on actuarial variations in the programme. If the actuarial evaluation includes a basic increase of 6%, this is not regulated. In practice, the increases have been between 2% and 4% every two years.

Variant careers

Early retirement

There is no early retirement before age 60.

Late retirement

Upon reaching age 60, the insured can apply for a pension from the Guatemalan Social Security Institute (IGSS) at any time, as long as they have made the required number of contributions. For each additional six months, the retirement pension is increased by 0.5% over what it would have been. This is an incentive to defer retirement.

Personal income tax and social security contributions

Taxation of workers

There is an income subsidy of up to GTQ 36 000 per year. For additional incomes up to GTQ 65 000 the tax is 15%; from GTQ 65 001 to GTQ 180 000 it is 20%; from GTQ 180 001 to GTQ 295 000 it is 25%, and for incomes above GTQ 295 000 it is 31%.

Social security contributions paid by workers

These contributions are equal to 1.83% of the base contribution wage. The minimum contribution income for contribution calculation purposes is equal to the daily minimum wage. There is no maximum income for contribution calculation purposes.

In Guatemala, minimum wages are paid to agricultural, non-agricultural, and factory workers.

	Agricultural and non-agricultural	Factory
2010	Q 56/ay	Q 51.75/day
2011	Q 63.7/day	Q 59.45/day
2012	Q 68/day	Q 62.5/day

In addition to contributing 1.83% of their earnings to the disability, old-age and survivors programme, employees contribute 1% for accident insurance and 2% for sickness and maternity, for a total of 4.83%.

The employer contributes 3.67% of employees' earnings to the disability, old-age and survivors programme.

The state is supposed to pay the equivalent of 25% of the benefits paid; however, it has never done so.

The employer contributes 7% of the workers' earnings to the health insurance, the sickness, maternity, and accidents programme. The state is supposed to contribute 25% of the earnings, but it has never done so.

Taxation of pensioners

Pensioners do not pay taxes on pensions.

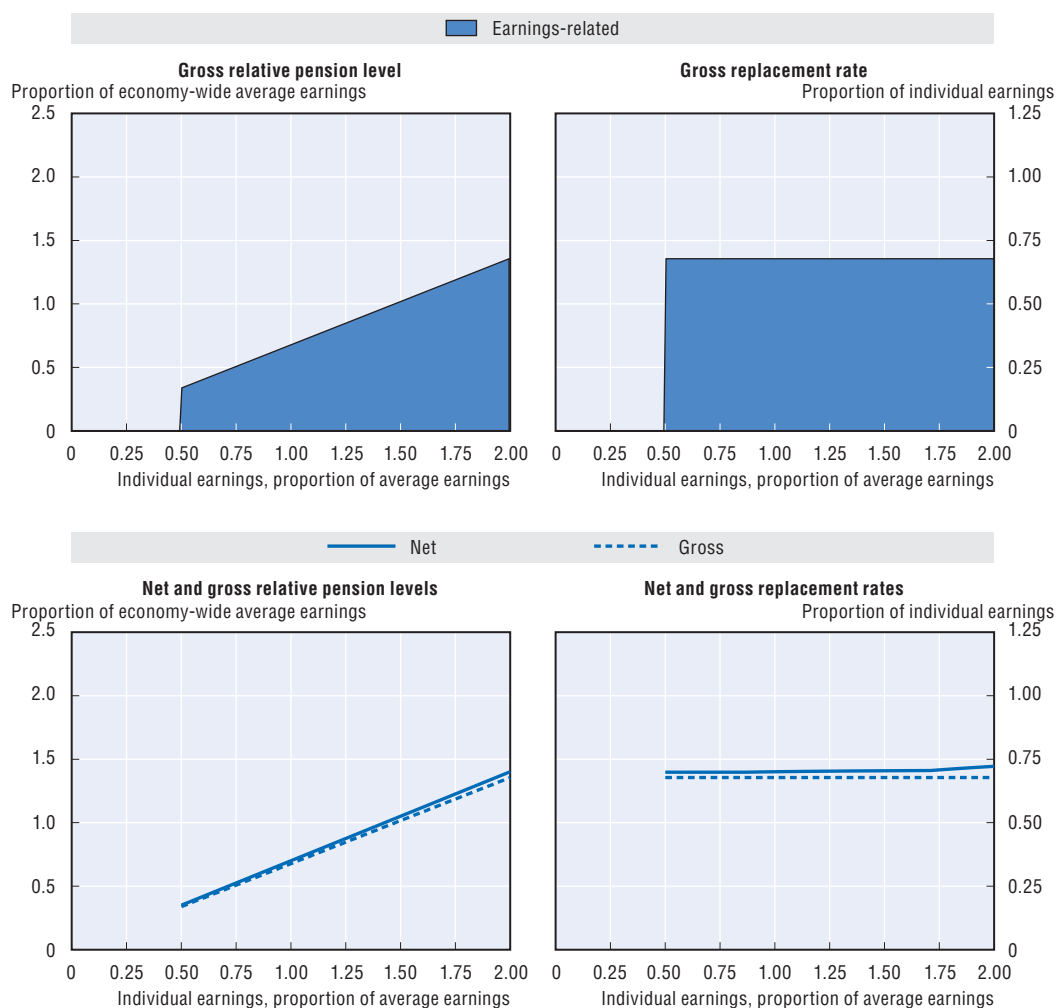
Social security contributions paid by pensioners

Pensioners do not contribute. If they choose to continue working, pensioners contribute only to sickness, maternity and accident insurance, which is 3% of their salary.


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

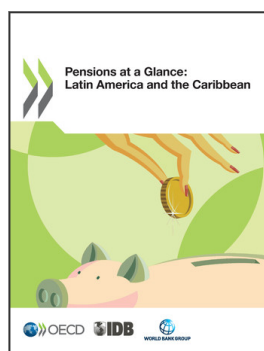
There is a non-contributory pension for people over 65 years of age who are needy. The beneficiaries of this programme are Guatemalan, as defined in Article 144 of the Constitution, who can demonstrate, through a socioeconomic assessment conducted by a social worker, that they lack economic resources and are extremely poor. Since 2007, the payment to beneficiaries who have met these legal requirements is GTZ 400.00 per month.

Pension modelling results: Guatemala



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)	54.9	33.9	50.8	67.8	101.7	135.6
Net relative pension level (% net average earnings)	56.8	35.0	52.6	70.1	105.1	140.1
Gross replacement rate (% individual gross earnings)	67.8	67.8	67.8	67.8	67.8	67.8
Net replacement rate (% individual net earnings)	69.9	69.9	69.9	70.1	70.5	72.2
Gross pension wealth (multiple of individual gross earnings)	14.5 16.4	14.5 16.4	14.5 16.4	14.5 16.4	14.5 16.4	14.5 16.4
Net pension wealth (multiple of individual gross earnings)	14.5 16.4	14.5 16.4	14.5 16.4	14.5 16.4	14.5 16.4	14.5 16.4

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