

Honduras

Honduras: Pension system in 2010

The pension system in Honduras consists of a pay-as-you go defined-benefit scheme and an old-age settlement for those who do not have the required number of contributions.

Key indicators

		Honduras	LAC26
Average earnings	HNL	59 400	131 800
	USD	3 100	7 000
Public pension spending	% of GDP	5.1	3.1
Life expectancy	At birth	73.8	73.6
	At age 65	18.3	17.4
Population over age 65	% of working- age population	9.0	12.3

Qualifying conditions

The mandatory retirement age is 65 for men and 60 for women with 15 years of contributions. Individuals who do not qualify for an old-age pension will have their contributions refunded as a lump sum.

Benefit calculation

Old-age pension

For the Social Security Institute (IHSS) scheme, the pension must not be less than 50% or greater than 80% of the base monthly contribution wage.

The pension is based on the average of the last 180 monthly wages or earnings that were used as the base monthly contribution wage, indexed to the month in which the insured qualified for a pension. If the number of months of contributions is less than 180, the calculation will be based on earnings as of the date of the request based on the consumer price index, taking as the final date the last contribution and as the initial date the first contribution, and multiplying the basic monthly earnings by 40% plus 1% of earnings for every 12 months of contributions exceeding the first 60 months.

In 2010, the average minimum wage was HNL 4 949.70. IHSS pension benefits are changed by government decree.

Old-age settlement

If an individual does not qualify for an old-age pension the insured is reimbursed with the total amount contributed in a lump sum.

Variant careers

Early retirement

Early retirement is not possible.

Late retirement

Late retirement is possible and individuals who have met the qualifying age and contribution requirements and defer their pension withdrawal receive a benefit of 3% instead of 1% for every year and fraction of a year of contributions beyond the first 60 months.

Personal income tax and social security contributions

Taxation of workers

There is a personal income allowance of HNL 70 000.00. Additionally, HNL 20 000.00 are allowed for medical expenses, for a total of HNL 90 000.00.

Social security contributions paid by workers

Workers contribute 1% of their earnings to the IHSS, the private sector contributes 2%, and the state contributes 0.5%.

There are minimum and maximum monthly earnings amounts for the contribution calculation purposes. In 2010, the upper limit of contribution was HNL 4 800.00. In 2012, the upper limit was HNL 7 000.

	Health and maternity (%)	Old age (%)	Workmen's compensation (%)	Total
Employer	5.0	2.0	0.02	7.02
Worker	2.5	1.0		3.5
Government	0.5	0.5		1.0
Total	8.0	3.5	0.02	11.52

Taxation of pensioners

Pensions are exempt from taxation, regardless of where the insured worked.

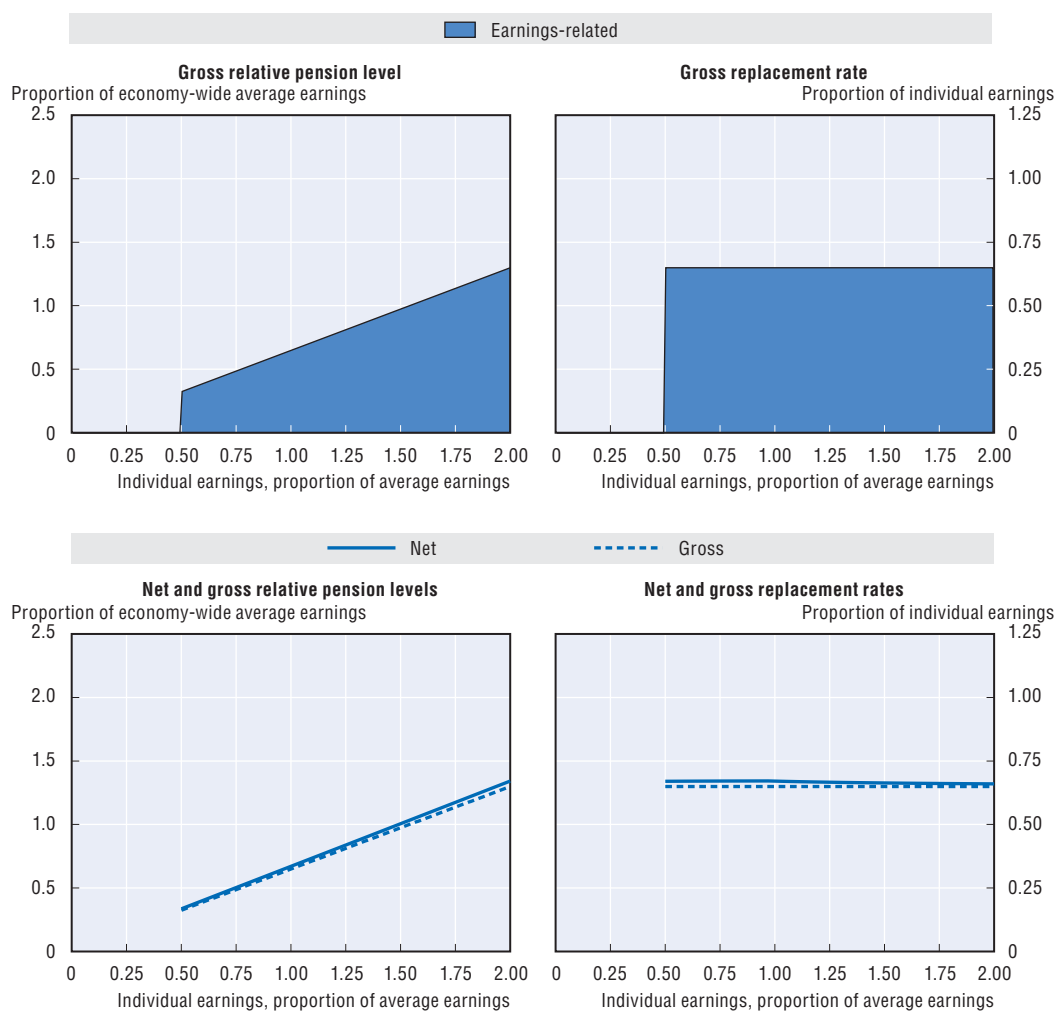
Social security contributions paid by pensioners

Old-age pension beneficiaries do not pay social security contributions.


Social assistance programmes

Honduran institutions grant an annual voucher valued at HNL 800.00. Approximately 300 000 families receive this benefit.

Pension modelling results: Honduras



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	52.6	32.5	48.7	64.9	97.4	129.9
(% average gross earnings)	49.3	30.4	45.7	60.9	91.3	121.8
Net relative pension level	54.3	33.5	50.3	67.1	100.6	134.2
(% net average earnings)	50.9	31.4	47.2	62.9	94.3	125.8
Gross replacement rate	64.9	64.9	64.9	64.9	64.9	64.9
(% individual gross earnings)	60.9	60.9	60.9	60.9	60.9	60.9
Net replacement rate	67.1	67.0	67.1	67.1	66.4	66.0
(% individual net earnings)	62.9	62.8	62.9	62.9	62.2	61.9
Gross pension wealth	12.6	12.6	12.6	12.6	12.6	12.6
(multiple of individual gross earnings)	16.1	16.1	16.1	16.1	16.1	16.1
Net pension wealth	12.6	12.6	12.6	12.6	12.6	12.6
(Multiple of individual gross earnings)	16.1	16.1	16.1	16.1	16.1	16.1

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