

# Uruguay

## Uruguay: Pension system in 2010

The insurance system is based on a mixed scheme that receives contributions and grants benefits in combined form, according to earnings brackets. One part is an inter-generational solidarity retirement (defined-benefit) scheme, and the other is a mandatory individual retirement savings (defined-contribution) scheme. Low-income workers can opt to divide their contributions equally between the two components of the scheme. There is a non-contributory scheme for people who earn less than the minimum wage and who are elderly.

## Key indicators

		Uruguay	LAC26
Average earnings	UYU	226 200	138 100
	USD	11 400	7 000
Public pension spending	% of GDP	8.2	3.1
Life expectancy	At birth	77.0	73.6
	At age 65	17.8	17.4
Population over age 65	% of working-age population	25.0	12.3

## Qualifying conditions

The retirement age is 60 for both men and women with 30 years of contributions.

## Benefit calculation

### Defined benefit

The retirement pension benefit is equal to 45% of earnings for contribution calculation purposes, plus 1% for each year of contributions beyond 30 up to 35 years. Another 0.5% is added for each year of contributions beyond 35 (up to 2.5%). The pension is increased by 3% for each year that retirement is deferred beyond age 60 (up to 30%).

Earnings for contribution calculation purposes are equal to the monthly average of eligible earnings in the last ten years from the individuals registered work history, limited by the monthly average of the best 20 years earnings uprated with the median salary increased by 5%.

If it is more favourable to the employee, the base calculation is the average of the 20 years of the highest earnings.

Low-income affiliates who opt to distribute their contributions between the two pillars of the insurance scheme are benefited in the public scheme (inter-generational solidarity), with an increase of 50% of eligible allocations.

The maximum pension in 2010 was UYU 18 399.

Pension benefits are indexed according to the Median Salary Index (IMS). In 2010, the IMS was 11.16% and in 2011, it was 12.94%.

### Targeted

The minimum retirement pension was equal to 1.75 BPC in December 2010 (1 BPC = UYU 2 061 in 2010; 1 BPC = UYU 2 417 in 2012). This amount represented 59% of the national minimum wage (national minimum wage = UYU 7 200 in 2012).

## Variant careers

### Early retirement

It is possible to qualify for early retirement if a person is fully and permanently disabled and if the disability has been work-related.

### Late retirement

Pensions benefits are granted to individual who are 70 years of age with 15 years of contributions, or 69 years old with 17 years of contributions, or 68 years old with 19 years of contributions, or 67 years of age with 21 years of contributions, or 66 years of age with 23 years of contributions, or 65 years of age with 25 years of contributions. The benefit increases if the individual postpones retirement. As previously mentioned, at age 60 and with 30 years of contributions, the replacement rate is 45%, while at age 80 and with 40 years of contributions, the replacement rate is 82.5% of earnings for contribution calculation purposes.

## Personal income tax and social security contributions

### Taxation of workers

Earnings (of both employees and self-employed people) are subject to individual income tax (IRPF). This tax is annual and payments are made monthly, it is personal (although taxes can be paid by the family unit) and direct, at progressive rates. Contributions to social insurance (pensions and health) can be deducted.

The monthly income scale is as follows:

BPC ranges	From	To	Rate (%)
To 7 BPC	0	14 427	0
More than 7 to 10 BPC	14 427	20 610	10
More than 10 to 15 BPC	20 610	30 915	15
More than 15 to 50 BPC	30 915	103 050	20
More than 50 to 100 BPC	103 050	206 100	22
More than 100 BPC	206 100		25

1 BPC = UYU 2 061 in 2010; for 2012, UYU 2 417.

### Social security contributions paid by workers

Social security contributions equal 15% of gross monthly earnings. There is a ceiling of UYU 28 067 in the pay-as-you-go system.

There is a mandatory contribution under the individual retirement savings scheme of 15% of gross monthly earnings for the bracket of UYU 28 068 to UYU 84 202 (individual savings account scheme). The affiliate may contribute voluntarily in the income bracket that exceeds UYU 84 203.

Contributions to the mandatory individual retirement scheme include an average of 1.065% of earnings for contribution calculation purposes for disability and survivors' insurance and an average of 2.516% of these same earnings for administrative fees.

These amounts are adjusted according to the Median Salary Index, at the same time that the increases in the remuneration of central government public officials are made.

The intergenerational solidarity retirement scheme is financed, additionally, by employer contributions (7.5% of aggregate salaries), taxes (7% of value-added tax and collection of the Social Security Assistance Tax) and, if necessary, with assistance from the government.

### **Taxation of pension income**

Retirement and pensions are taxed by the Social Insurance Assistance Tax (IASS). This is an annual tax (paid monthly) and liabilities are taxed progressively.

The monthly income scale in effect is the following:

BPC ranges	From	To	Rate (%)
To 8 BPC	0	19 336	0
More than 8 to 15 BPC	19 337	36 255	10
More than 15 to 50 BPC	36 256	120 850	20
More than 50 BPC	120 851		25

### **Social security contributions paid by pensioners**

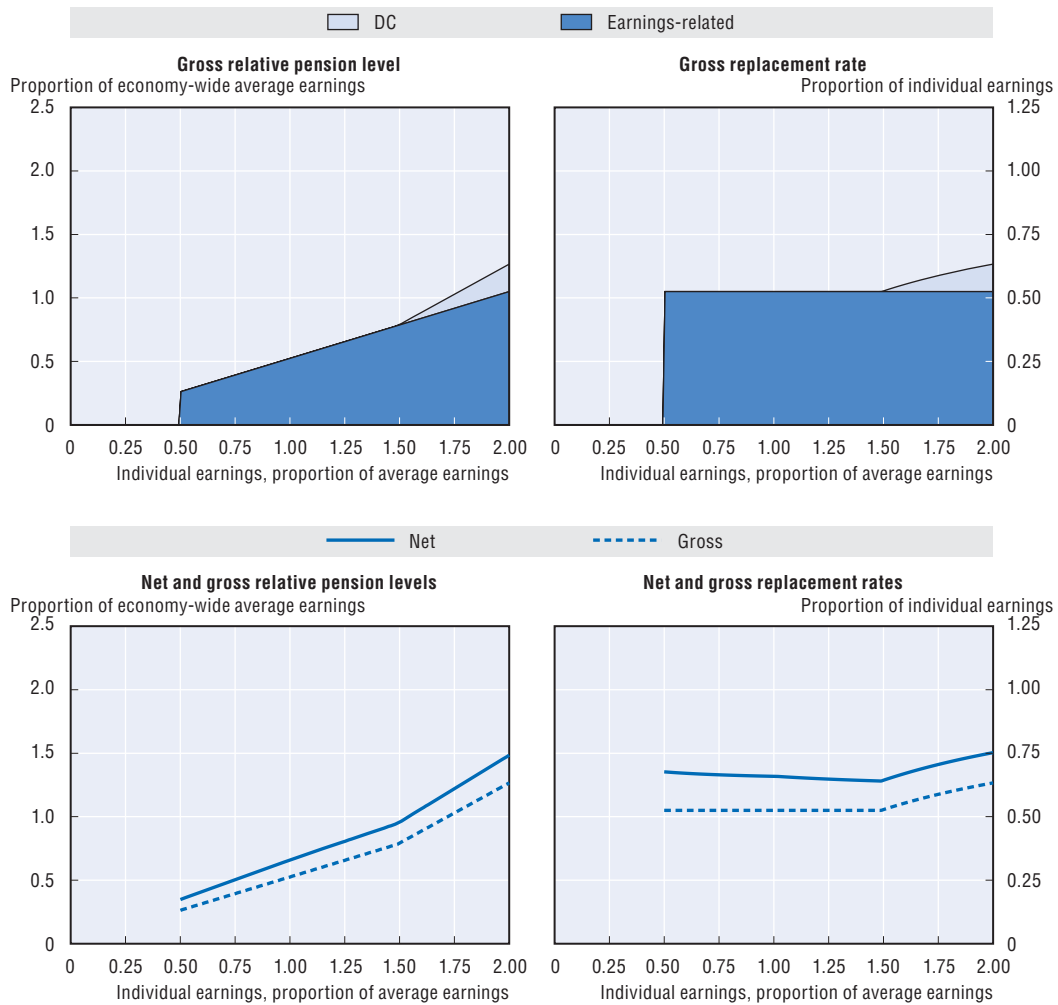
Pensioners (retirees and pensioners), with the exception of the IASS, do not contribute to social security.

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


### **Social pension**

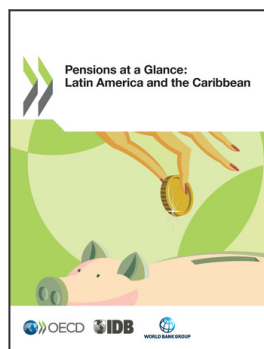
In addition to the benefits granted by the contributory insurance scheme, there are two non-contributory benefits for those who do not meet the minimum requirements in the amount of UYU 5 000 per month. The first, known as old-age assistance, is for people aged 65 or older and younger than 70 who do not have the resources to cover their basic needs, live in homes that present substandard living conditions. The second, known as old-age or disability pension, is aimed at all inhabitants of the Republic who do not have enough resources to cover their basic needs and who are 70 years or older or who, at any age, are fully disabled and cannot perform any remunerated work.

## Pension modelling results: Uruguay



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	42.5	26.2	39.4	52.5	79.2	126.6
(% average gross earnings)						
Net relative pension level	54.1	34.8	50.3	65.9	95.7	148.4
(% net average earnings)						
Gross replacement rate	52.5	52.5	52.5	52.5	52.8	63.3
(% individual gross earnings)						
Net replacement rate	66.3	67.7	66.5	65.9	64.4	75.2
(% individual net earnings)						
Gross pension wealth	12.1	12.1	12.1	12.1	12.2	14.1
(multiple of individual gross earnings)	14.5	14.5	14.5	14.5	14.6	16.8
Net pension wealth	12.1	12.1	12.1	12.1	12.2	14.1
(multiple of individual gross earnings)	12.5	13.0	12.5	12.3	11.9	13.3

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