

# Venezuela

## Venezuela: Pension system in 2010

The pension system has a basic component and an income-related, defined-benefit component. Those who are not eligible for a basic pension receive a social assistance benefit.

## Key indicators

		Venezuela	LAC26
Average earnings	VEF	42 800	30 000
	USD	10 000	7 000
Public pension spending	% of GDP	4.8	3.1
Life expectancy	At birth	74.6	73.6
	At age 65	17.3	17.4
Population over age 65	% of working-age population	10.7	12.3

## Qualifying conditions

The retirement age is 60 for men and 55 for women with a contribution record of at least 750 weeks. The retirement age is lower for those who work in arduous jobs. Working beyond retirement age is permitted. The insured that do not qualify for an old-age pension may if they choose, wait until they qualify or else receive a one-time payment equivalent to 10% of the sum previous contributions.

## Benefit calculation

### Old-age pension

The old-age pension benefit is equal to the national minimum wage. In 2010 the minimum wage was VEF 1 223.89 and in 2012 VEF 1 780.45, and in September 2012 it was increased to VEF 2 047.52. The pension is increased annually along with increases in the national minimum wage.

The survivors' pension benefit is also equal to the current minimum wage.

### Old-age allowance

An old-age allowance is given to individuals of retirement age, but who have not met the contribution conditions. The pension guarantee is equal to 10% of the sum of previous contribution. Benefits are adjusted with wage and price changes.

## Variant careers

### Early retirement

Early retirement is not possible unless the insured works in hazardous environments or environments that may lead to premature old age. The age limit may be reduced up to one year for every four years worked in such conditions, not to exceed five years. If these conditions are not met, the pension is not granted until the qualifying requirements are met.

**Late retirement**

Pensions are paid from the date of eligibility, when the application is submitted within the year following that date. If the application is made later than that, the pension will begin to be paid starting on the date that the pension is requested.

There is an additional payment of 5% of the pension for each year that it is postponed after the insured reaches retirement age. Even though the law provides for this, in reality it is not applied and payment begins on the date that the pension is requested.

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

Employees pay income tax when they receive net annual earnings above 1 000 tax units (TUs). People engaged in agricultural, livestock, fishing, and fish farming work at the primary level pay taxes on gross earnings above 2 524 TUs.

Net earnings above the minimum wage up to 1 000 TUs are taxed at 6%, between 1 001 TU and 1 500 TU at 9%, between 1 501 TU and 2 000 TU at 12%, between 2 001 TU and 2 500 TU at 16%, between 2 501 TU and 3 000 TU at 20%, between 3 001 TU and 4 000 TU at 24%, between 4 001 TU and 6 000 TU at 29% and above 6 000 TU at 34%.

For 2010, the tax unit was VEF 65 (1 TU = 65 VEF). In 2012 the tax unit was equal to VEF 90.

**Social security contributions paid by workers**

Private sector workers contribute 4% of their earnings to social security and up to a ceiling equal to five minimum wages. This contribution earns them the right to long-term benefits from old-age, invalidity, survivors' and disability, and short-term benefits related to compensation for medical leave or maternity leave. The contributions of the insured also finance health, maternity and marriage benefits.

The employer pays contributions that depend on the level of the work entity: minimum risk, 9%, medium risk, 10%, and maximum risk, 11%, of the workers' wages.

**Taxation of pensioners**

Pensions are not taxed.

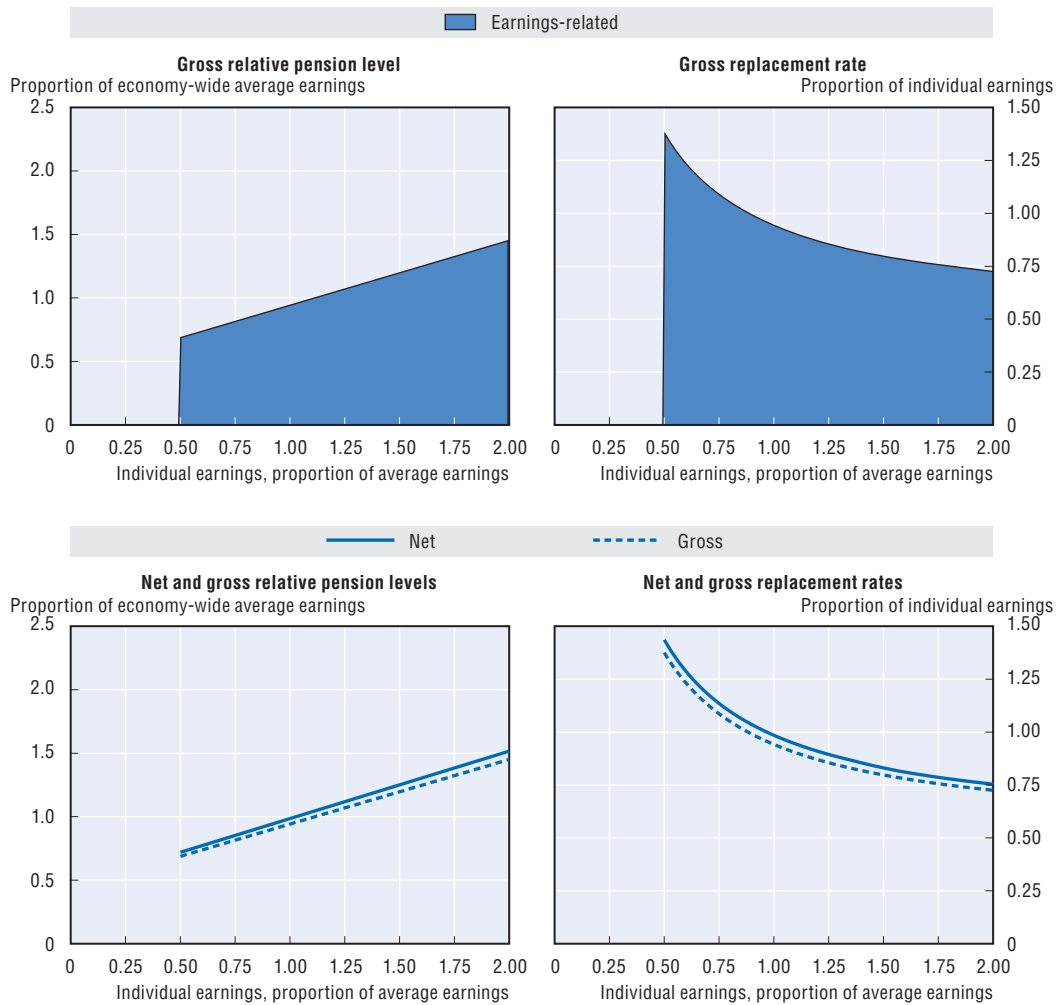
**Social security contributions paid by pensioners**

Retirees and pensioners are exempt from social contributions. If they continue to work and receive remuneration, they contribute 4%.


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

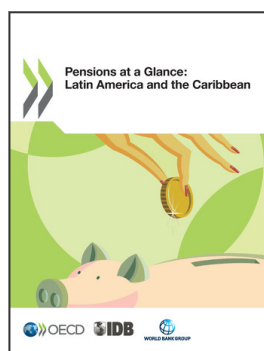
The social pension programme known as *Gran Misión en Amor Mayor* guarantees an old-age pension from the age of 55 for women and age 60 for men, who never contributed to the Venezuelan Social Security Institute (IVSS), and who live in families with incomes below the minimum wage.

## Pension modelling results: Venezuela



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	84.6	68.8	81.5	94.2	119.6	145.1
(% average gross earnings)	80.7	66.4	78.0	89.5	112.6	135.6
Net relative pension level	88.4	71.9	85.2	98.5	125.1	151.7
(% net average earnings)	84.4	69.5	81.5	93.6	117.7	141.8
Gross replacement rate	104.4	137.6	108.7	94.2	79.8	72.5
(% individual gross earnings)	99.7	132.9	104.0	89.5	75.1	67.8
Net replacement rate	109.1	143.7	113.6	98.5	83.1	75.4
(% individual net earnings)	104.2	138.8	108.7	93.6	78.2	70.5
Gross pension wealth	18.9	24.9	19.7	17.1	14.4	13.1
(multiple of individual gross earnings)	22.5	30.0	23.5	20.2	17.0	15.3
Net pension wealth	17.8	23.4	18.5	16.0	13.6	12.3
(multiple of individual gross earnings)	21.2	28.2	22.1	19.0	15.9	14.4

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