

Costa Rica

Costa Rica: Pension system in 2010

The system consists of a defined-benefit scheme, a capitalisation regime that finances a portion of the total pension, and a non-contributory pension system.

Key indicators

		Costa Rica	LAC26
Average earnings	CRC	3 871 800	3 508 100
	USD	7 700	7 000
Public pension spending	% GDP	3.3	3.1
Life expectancy	At birth	79.9	73.6
	At age 65	19.7	17.4
Population over age 65	% of working-age population	11.3	12.3

Qualifying conditions

Employees are entitled to retire with an old-age pension at age of 65 if they have at least 300 months of contributions.

Anyone who has not made 300 contributions can elect to receive a proportional pension, if they have made at least 180 contributions to the disability, old-age and survivors' pension system, and are at least 65 years of age. In this case, the amount of the proportional pension is calculated as the amount of the corresponding old-age pension multiplied by the number of contributions, divided by 300. For those who have made 300 contributions but have not reached the retirement age of 60 for women and 62 for men, the amount of the pension will be reduced proportionally according to the following table:

Retirement age	Required number of contributions	Per cent of reduction	
		Men	Women
64 years 9 months	300	2.0	1.5
64 years 6 months	300	3.8	3.3
64 years 3 months	300	5.5	5.0
64 years	300	7.3	6.8
63 years 9 months	300	9.0	8.5
63 years 6 months	300	10.8	10.3
63 years 3 months	300	12.5	12.0
63 years	300	14.3	13.8
62 years 9 months	300	16.0	15.5
62 years 6 months	300	17.8	17.3
62 years 3 months	300	19.5	19.0
62 years	300	21.3	20.8
61 years 9 months	300		22.5
61 years 6 months	300		24.3
61 years 3 months	300		26.0
61 years	300		27.8
60 years 9 months	300		29.5
60 years 6 months	300		31.3
60 years 3 months	300		33.0
60 years	300		34.8

A person can also be eligible for an early retirement pension with a greater number of contributions.

Years – months	Men	Women	Years – months	Men	Women	Years – months	Men	Women
59-11	-	450	61-08	-	444	63-05	391	385
60-00	-	450	61-09	-	444	63-06	387	381
60-01	-	450	61-10	-	444	63-07	383	377
60-02	-	450	61-11	462	444	63-08	379	373
60-03	-	450	62-00	456	444	63-09	375	369
60-04	-	449	62-01	453	443	63-10	371	365
60-05	-	449	62-02	450	442	63-11	367	361
60-06	-	448	62-03	447	441	64-00	363	357
60-07	-	448	62-04	443	437	64-01	359	353
60-08	-	448	62-05	439	433	64-02	355	349
60-09	-	448	62-06	435	429	64-03	351	345
60-10	-	447	62-07	431	425	64-04	347	341
60-11	0	447	62-08	427	421	64-05	343	337
61-00	0	446	62-09	423	417	64-06	339	333
61-01	0	446	62-10	419	413	64-07	333	327
61-02	0	446	62-11	415	409	64-08	327	321
61-03	0	446	63-00	411	405	64-09	321	315
61-04	0	445	63-01	407	401	64-10	314	310
61-05	0	445	63-02	403	397	64-11	307	305
61-06	0	444	63-03	399	393	65-00	300	300
61-07	0	444	63-04	395	389			

Benefit calculation

Income-based

The amount of the disability or old-age pension includes a basic amount representing a percentage of the average salary for the first 20 years of contributions (240 contributions). The earnings bracket of the insured (see the table below) is calculated as the average earnings in the last 60 months in which contributions were made, adjusted for inflation. A calculation is applied to this reference salary according to the replacement rate of the person's earnings level. The additional rate for each month contributed is 0.0833% after 240 months.

The minimum monthly base contribution wage for the IVM (disability, old age or death) benefits is CRC 110 000. There is no maximum base contribution wage for the purpose of calculating benefits.

Disability and survivor's benefits are paid by the public system. Benefits can be taken as indexed annuities or programmed retirement.

For 2010, the minimum pension in the first half of the year was CRC 104 054.16 and the maximum pension was CRC 1 226 194.29 (with no delay) and CRC 1 735 065 (for late retirement). For the second half of the year, the minimum pension was CRC 107 613 and the maximum pension was CRC 1 268 130 (with no delay) and CRC 1 794 404 (for late retirement). Payments are made 13 times a year.

Pensions are indexed to consumer prices.

Targeted

The minimum contributory pension is approximately 30% of the average base contribution wage, while the non-contributory pension is approximately 20% of the average wage.

Defined contribution

The value of the pension depends on the contributions made by the insured plus the accumulated interest. The insured can choose to receive the pension as an annuity or under a programmed retirement scheme.

Variant careers**Early retirement**

Those insured that opt for early retirement must cover the missing contributions when they retire.

In order to draw a full pension and retire early, the insured must meet the requirements of both age and number of contributions, according to the following table:

Average salary	Basic amount (%)
Less than 2 minimum wages	52.5
From 2 to less than 3 minimum wages	51.0
From 3 to less than 4 minimum wages	49.4
From 4 to less than 5 minimum wages	47.8
From 5 to less than 6 minimum wages	46.2
From 6 to less than 8 minimum wages	44.6
8 minimum wages and above	43.0

Late retirement

Insured persons who meet the requirements for the old-age pension have the right to an additional pension if they delay retirement, starting from the date on which the legal and regulatory requirements were met, with no age limit. This additional pension consists of 0.1333% per month (1.6% annually) over the average reference wage. The amount of the additional pension for delaying retirement added to the amount of the calculated pension must not exceed 125% of the salary.

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

There are income subsidies up to CRC 619 000 per month. Above this level of income, up to CRC 310 000 are taxed at 10%; incomes above this amount are taxed at 15%.

Social security contributions paid by workers

The contribution to the defined-benefit system is 8% of the base contribution wage; workers' pay 2.67%, employers pay 4.92%, and the state pays 0.41% of the base contribution wage.

There are additional payments for health and maternity insurance, IMAS and INA.

Item	Employer (%)	Worker (%)	State (%)	Total (%)
Pension (old age, disability)	4.92	2.67	0.41	8.00
Other social security contributions				
Health and maternity insurance	9.25	5.50	0.25	15.00
<i>Instituto Mixto de Ayuda Social</i> (IMAS)	0.50	-	-	0.50
<i>Instituto Nacional de Aprendizaje</i> (INA)	1.50	-	-	1.50

Contributions to individual accounts equal to 4.25% of wages, of which 1% point is contributed by the worker and the rest by the employer. Contributions to individual accounts are charged a commission, which is approximately 8% of returns or 4% of contributions.

Contributions to the defined benefit or individual capitalisation scheme are made to the Banco Popular Workers Pension Fund (FLC) and the ROP. The Banco Popular purchases the financing of supplementary pensions. The Workers Pension Fund is a savings fund comprising the 3% employer contribution of salaries reported to the CCSS on behalf of workers. This percentage is accredited to individual accounts, which are owned by the workers. Every March, 50% of the resources that have been contributed to this individual account are transferred to the ROP. If the worker desires, they can make a supplemental contribution to the ROP with resources of the FCL. This contribution is registered as a sub-account within the individual ROP account.

	Employer (%)	Worker (%)	Others (%)	Total (%)
Pillar 2 – Complementary	3.25	1.00		4.25
Banco Popular	0.25	1.00		1.25
Workers Pension Fund (Fondo de Capitalización Laboral-FCL)	1.5			1.5
Mandatory Pension System (Régimen Obligatorio de Pensiones – ROP)	1.5		50% of the FCL + interest (annual)	1.5% + (0.5 + $\dot{\jmath}$)FCL

Contributions to the IVM (disability, old age or death) will be increased until 2035 as follows:

	Total (%)	Employer (%)	Worker (%)	State (%)
Until 31 December 2009	7.50	4.75	2.50	0.25
From 1 January 2010 to 31 December 2014.	8.00	4.92	2.67	0.41
From 1 January 2015 to 31 December 2019.	8.50	5.08	2.84	0.58
From 1 January 2020 to 31 December 2024	9.00	5.25	3.00	0.75
From 1 January 2025 to 31 December 2029	9.50	5.42	3.17	0.91
From 1 January 2030 to 31 December 2034	10.00	5.58	3.33	1.09
From 1 January 2035 and beyond	10.50	5.75	3.50	1.25

Taxation of pensioners

Pensions are taxable using the same scale that applies to workers' earnings.

Social security contributions paid by pensioners

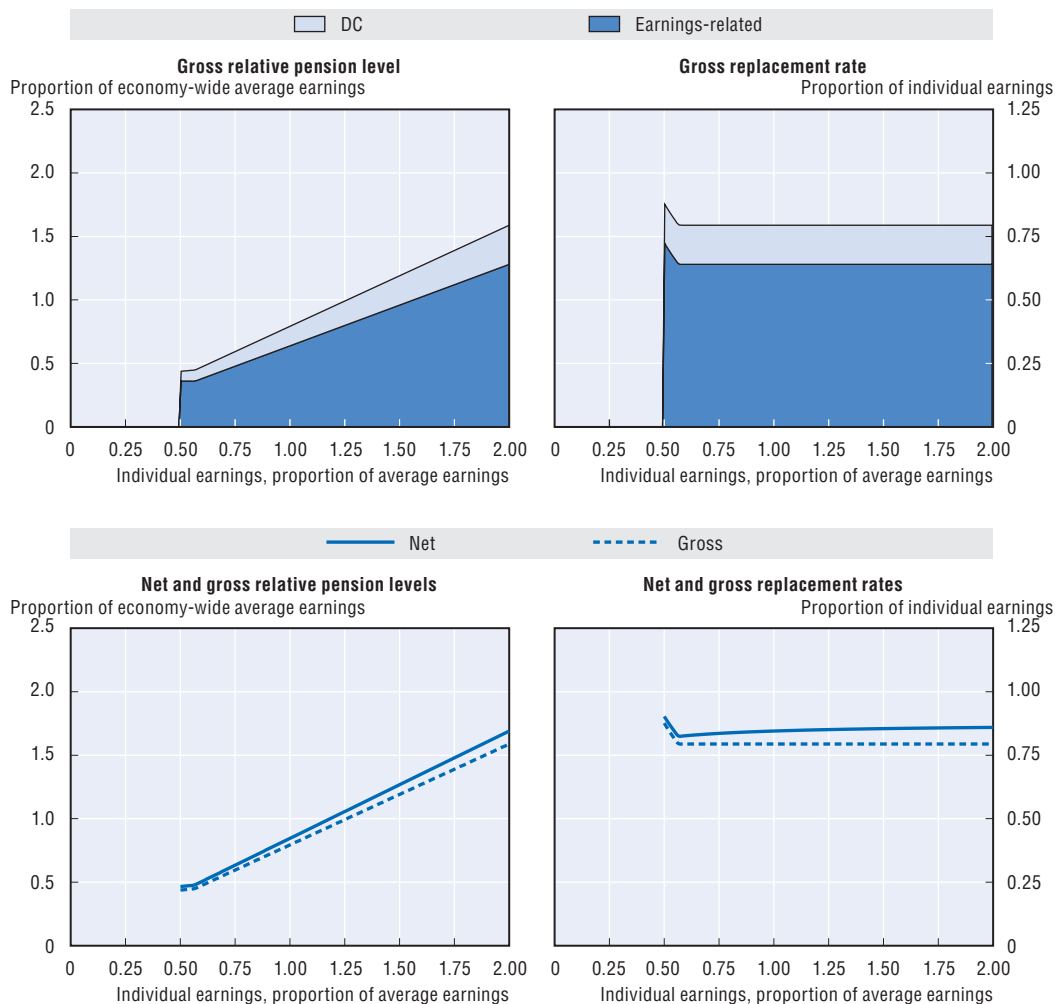
The cost of social security insurance for pensioners receiving disability, old age and death scheme is covered entirely by the Disability, Old and Death Pension Fund. Pensioners under this scheme do not contribute to social security.

Social assistance programmes for old-age population

Social welfare pension

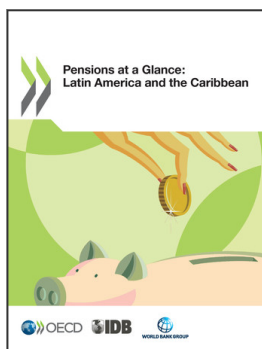
There is a non-contributory basic pension (RNC) for people aged 65 and over for disability or survival that does not fall within the contributory regimes and is only for the needy. The amount of the benefit is CRC 70 125 per month. This programme is managed by the CCSS and financed with resources from the Social Development and Family Assistance Fund and certain specific taxes.

Pension modelling results: Costa Rica



Men	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1.0	1.5	2.0
Gross relative pension level (% average gross earnings)	64.3	43.8	59.6	79.4	119.1	158.8
Net relative pension level (% net average earnings)	68.5	46.6	63.4	84.5	126.8	169.1
Gross replacement rate (% individual gross earnings)	79.4	87.7	79.4	79.4	79.4	79.4
Net replacement rate (% individual net earnings)	83.9	90.3	83.6	84.5	85.5	86.0
Gross pension wealth (multiple of individual gross earnings)	13.4	14.8	13.4	13.4	13.4	13.4
Net pension wealth (multiple of individual gross earnings)	13.4	14.8	13.4	13.4	13.4	13.4
		14.9	16.4	14.9	14.9	14.9
		14.9	16.4	14.9	14.9	14.9

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