

## Old Age, Disability, Death

First law: 1943.

Current laws: 1973 and 1991. 1992 (Mandatory supplemental private pension system.

1995 Mandatory private insurance system, implemented July 1997).  
Type of program: Social insurance system and supplemental private pension system.

**Exchange rate:** U.S. \$1.00 equals 10.12 new pesos (NP).

*Note:* Those employees covered by social security (**old system**) prior to 1997 have a choice between the public and private systems. The new private pension system (**new system**) is mandatory for all new entrants to the labor force after July 1, 1997.

### Coverage

**Old system:** Employees, members of producers', agricultural, and credit union cooperatives. All persons not covered may affiliate voluntarily. Special systems for petroleum workers, public employees, and the military.

System of saving for retirement (**SAR**), mandatory for all employees, and members of agricultural, and credit union cooperatives.

**New system:** All workers entering the labor force after January 1, 1997.

### Source of Funds

**Old system—Insured person:** 2.075% of earnings.

**Employer:** 5.810% of payroll.

**Government:** 0.415% of payroll. (For workers affiliated through producers', agricultural, and credit union cooperatives, organization pays 50% and Federal Government another 50% of employer-employee contributions.)

Maximum earnings for contribution and benefit purposes: 10 times the minimum wage in Federal District. The ceiling for those earning 10 times the minimum wage is raised to 25 times the minimum wage. Minimum monthly wage in Federal District as of January 1, 1999: 1,069 NP.

Minimum: 100% of minimum wage in region.

Special contribution rates for the voluntarily covered.

**SAR:**

**Employee:** Voluntary.

**Employer:** 2% of payroll. Additional 5% up to 10 times minimum wage to help finance housing.

**Government:** None.

**New system system—Insured person:** 1.125% of earnings for old-age benefits; 0.625% for disability and survivors' insurance for earnings between 15 and 25 times the minimum wage (plus administrative fee).

**Employer:** 2% of payroll for employees with earnings up to 5 times the minimum wage. 3.15% of payroll for those with earnings between 15 and 25 times the minimum wage. Additional 1.75% for disability and survivors' insurance and 5% of earnings for housing fund.

**Government:** 10.14% of employers' contributions. Guarantees minimum pension equal to 5.5% of minimum daily wage.

### Qualifying Conditions

**Old system—Old-age pension:** Age 65 and 500 weeks of contribution. Retirement from covered employment not required if new job with different employer, and after 6 month waiting period. Pension payable abroad for 2 years only, unless reciprocal agreement.

**SAR:** Age 65, eligible for social security pension or upon receipt of employer-provided pension. If unemployed, may withdraw up to 10% of savings. If employee does not withdraw funds from housing sub-account to buy housing, employee may withdraw accumulated funds without conditions every 10 years.

**Disability pension:** 50% reduction in customary earning capacity. 150 weeks of contribution. May continue to work in different job.

**Survivor pension:** Deceased was pensioner or had 150 weeks of contribution at death.

Funeral grant: 12 weeks of contribution in last 9 months, or pensioner at death.

**New system—old-age pension:** Age 65 and 1,250 weeks of contributions.

**New system—disability and survivors' benefits:** Purchases separate insurance policy.

### Old-Age Benefits

**Old-age pension—old formula:** 35% of average earnings during last 250 weeks of contribution, plus 1.25% of earnings per year of contribution beyond 500 weeks. Pension increased 15% if no dependents.

Constant-attendance supplement: 20% of pension.

Dependents' supplements: 15% of pension for wife, 10% of pension for each child under age 16 (25 if student, no age limit if disabled). If no wife or child, 10% for each dependent parent.

Maximum pension: 100% of earnings if 2,000 weeks contribution or more; minimum, 100% of minimum salary in the Federal District.

Adjustment: Pension adjusted in same proportion as minimum wage.

Christmas bonus: 1 month's pension.

**Old-age pension (new formula):** Benefit amount based on multiples of minimum wage in the Federal District, ranging from 1 to 6 times minimum wage; increasing by 25% of minimum wage as average earnings and length of coverage increase. (Transitionally, insured persons may choose between old and new formulas.)

**SAR:** Contributions are made to a special account for the employee in an authorized commercial bank, insurance company or stock brokerage house. Investment must yield at least 2% above the rate of increase in the consumer price index after commission and charges. Benefit may be paid as a lump sum or used to purchase an annuity.

**New system—old-age pension:** Insured's contribution plus accrued interest. At retirement, can choose between annuity or programmed benefit based on life expectancy.

Minimum pension guaranteed by government.

**Transition:** At retirement, employees hired before January 1, 1997 may choose between the old and new systems.

### Permanent Disability Benefits

**Old system—Disability pension:** Same as old-age pension, including for the SAR.

**New system—Disability pension:** 35% of average earnings in the last 500 weeks of contribution plus family allowances equal to 15% of pension.

Adjustment: Pensions and pensionable pay indexed to changes in the national consumer price index.

### Survivor Benefits

**Old system—Survivor pension:** 90% of pension paid or accrued to insured. Payable to widow or dependent disabled widower. If a widow remarries, she receives a final lump-sum payment equal to 3 years' pension.

Orphans: 20% of pension of insured for each orphan under age 16 (25 if student, no age limit if disabled); or 30% if full orphan.

Orphan's final benefit equal to 3 months' pension of insured. Other eligible dependents: 20% of pension of insured for each other dependent, if no eligible spouse or orphan.

**SAR:** Same as for old-age pension.

Widow's constant-attendance supplement: 20% of widow's pension.

Maximum survivor pension: 100% of pension of insured; minimum, 100% of the minimum wage in the Federal District.

Funeral grant: 2 months' minimum wage in Federal District (paid under sickness insurance).

Christmas bonus: 1 month's pension.

**New system—Survivor pension:** 90% of disability pension.

### Administrative Organization

**Old system:** Mexican Social Insurance Institute (IMSS), administration of program through regional and local boards in areas to which coverage extended; managed by General Assembly, Technical Council, Oversight Commission, and Director-General.

**SAR:** Mexican Social Security Institute, administration of program through National Commission on the Retirement Savings System (CONSAR).

**New system:** IMSS, administration of program.

CONSAR, supervision of pension fund management companies (AFORES).

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## Sickness and Maternity

First law: 1943.

Current law: 1973.

Type of program: Social insurance system. Cash and medical benefits.

### Coverage

See old-age pension, above. Coverage is continued for 8 weeks for workers who lose their jobs provided they have 8 weeks of consecutive contributions.

### Source of Funds

**Insured person:** 3.125% of earnings.

**Employer:** 8.750% of payroll.

**Government:** 0.625% of payroll.

Maximum earnings for contribution and benefit purposes: 25 times the minimum wage in Federal District.

Minimum: 100% of minimum wage in region.

### Qualifying Conditions

**Cash sickness benefits:** 4 weeks of contribution immediately preceding illness. For casual workers, 6 weeks of contribution during last 4 months.

**Cash maternity benefits:** 30 weeks of contribution by insured woman during last 12 months.

**Medical benefits:** Currently insured, pensioner, or legal dependents.

### Sickness and Maternity Benefits

**Sickness benefit:** 60% of average earnings. Minimum benefit: 60% of minimum salary; maximum benefit, 60% of earnings. Payable after 3-day waiting period for up to normal maximum of 52 weeks; may be extended to 78 weeks.

**Maternity benefit:** 100% of average earnings, payable for 42 days before and 42 days after confinement. (If unable to work 42 days after confinement, mother eligible for cash sickness benefit.)

Nursing allowance: Assistance in kind, payable for up to 6 months after delivery. Layette also furnished.

### Workers' Medical Benefits

**Medical benefits:** Medical services ordinarily provided directly to patients through health facilities of Social Insurance Institute. Includes general and specialist care, surgery, maternity care, hospitalization or care in convalescent home, medicines, laboratory services, dental care, and appliances. Payable for 52 weeks; may be extended to 104 weeks.

### Dependents' Medical Benefits

**Medical benefits for dependents:** Same as for insured, including nursing allowance and layette for wife of insured man, and medical services for dependent children up to age 16 (25 if student, no age limit if disabled) and for other dependents.

### Administrative Organization

Mexican Social Insurance Institute (IMSS), administration of program through regional and local boards. Institute operates own hospitals, clinics, pharmacies, and other medical facilities; also contracts for use of some facilities.

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## Work Injury

First law: 1943.

Current law: 1973.

Type of program: Social insurance system.

### Coverage

See old-age pension, above.

### Source of Funds

**Insured person:** None.

**Employer:** 0.348 % to 10.035% of payroll, according to risk.

**Government:** None.

Maximum earnings for contribution and benefit purposes: 25 times the minimum wage in Federal District.

Minimum: 100% of minimum wage in region. Special system of rates and benefits for self-employed.

### Qualifying Conditions

**Work-injury benefits:** No minimum qualifying period.

### Temporary Disability Benefits

**Temporary disability benefit:** 100% of average earnings.

Maximum benefit: 25 times minimum wage in Federal District.  
 Payable from 1st day of incapacity until qualified to resume work or declared permanently disabled.

#### **Permanent Disability Benefits**

**Permanent disability pension:** 70% of earnings.

Christmas bonus: 1 month's pension.

Adjustment: Pension adjusted at the same time and in same proportion as the minimum wage.

Partial disability (26%-99% disabled): Percent of full pension according to disability; evaluation schedule in labor code; commuted to lump sum of 5 years' pension if disability 25% or less.

#### **Workers' Medical Benefits**

**Medical benefits:** Full medical, surgical, and hospital care, medicines, and appliances.

Christmas bonus: 1 month's pension.

#### **Survivor Benefits**

**Survivor pension:** 40% of total disability pension of insured.

Payable to widow or dependent disabled widower. If a widow remarries, she receives a final lump-sum payment equal to 3 years' pension.

Christmas bonus: 1 month's pension.

Orphans: 20% of pension of insured for each orphan under age 16 (25 if student, no age limit if disabled); or 30% if full orphan.

Orphan's final benefit equal to 3 months' pension of insured.

Other dependent relatives (in absence of above): 20% of pension.

Minimum pension: 100% of minimum salary in the Federal District.

Maximum pension: 100% of total disability pension of insured.

Funeral grant: 2 months' minimum wage in Federal District.

Adjustment: Pension adjusted in same proportion as the minimum wage in the Federal District.

#### **Administrative Organization**

Mexican Social Insurance Institute, administration of contributions and benefits through regional and local boards.

### **Unemployment**

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Labor law requires employers to pay dismissed employees a lump sum equal to 3 months' pay plus 20 days' pay for each year of service.

Social security pays an unemployment benefit of 95% of the old-age pension for those unemployed and ages 60-64.

### **Family Allowances**

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Employer pays 1% of payroll up to ceiling of 25 times minimum wage in Federal District for child day-care program.

Marriage grant provided under old-age and disability program: one month of minimum salary in Federal District.