IGP
international group program

IGP Country Profile 2022

Spain

Prepared by:
CASER

Preface

This Country Profile has been prepared by **CASER** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in around 70 countries throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston, our regional offices in Brussels, Singapore and Tokyo, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is managed by John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

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Your Local Link to IGP in Spain: CASER

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CASER
The IGP Network Partner in Spain

Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (CASER), founded in 1942, is one of the leading underwriters of group insurance in Spain and offers group life and pension plans. A leader in the development and introduction of new products, CASER was the first Spanish insurance company to offer a Deposit Administration pension plan, as well as the first insurer in Spain to offer a group retirement policy.

CASER has historically provided high rates of return on its investment products and is one of the leading insurance companies in Spain in terms of investment return on retirement contracts. CASER has made significant investments in new technology for the efficient administration of insurance and retirement products. It is also one of the few insurance companies in Spain that is able to design products tailored to a client's specific needs.
CASER has been an IGP Network Partner since 1972:

- On June 26, 2020 **Helvetia** took over 70% of the shares of Caser, the other shareholders are Ibercaja, Liberbank and Unicaja.
- Helvetia **rating** Standard & Poor's: "A" It´s a multinational with 160 years of history, with 11,500 employees and over 7 million of clients worldwide.
- Helvetia operates in life and non-life insurance, is based in Switzerland with subsidiaries in Germany, Austria, Italy, France and Spain.

- **CASER Rating** Moody's (per January 2020): "**Baa2" Ranked 10**
- 5,300 **employees**
- 41 own **offices**
- 10 medical **offices**
- 140 agent offices
- 20 dental offices, 19 residences for elderly
- 5 **hospitals**
- 20,000 **selling** points
- 2.3 **million** of clients.
- Total **revenues** 2021 CASER: 1,954.5 million of euros.
- 61.7 **million** euros of benefits after taxes

Key Products

Life
- Life
- Accidental Death Rider
- Permanent and Total Disability
- Widow's and Orphans' Pensions

Disability
- Absolute Disability Pensions (as part of a Retirement Plan)
- Total Professional Disability Pensions (as part of a Retirement Plan)

Pensions
- Managed Funds

Other
- Critical Illness
- Death Due to Traffic Accidents
- Personal Accident

Directive 80/987 of the European Union required that Member States take measures to protect the interest of the workers in meeting the pension commitments assumed by employers in case of their possible insolvency. A pension agreement is defined as any commitment, derived from legal or contractual obligations of a company with its personnel, linked to any contingencies for payment of retirement pensions, death, or disability benefits.

This procedure was developed in Spain in the possible strictest form: Legal rules established that pension commitments assumed by companies should be financed through insurance contracts, pension plans or both. Any other financial system, and especially "book reserves" plans (also known as "internal reserves"), maintaining ownership of the funds by the employer is prohibited.

This law was officially implemented by Royal Decree 1588/99 on October 15, 1999, making non-funded pension obligations illegal after November 16, 2002. Under this law, all pension promises, including book reserve plans, must be funded under either a life insurance contract or under a tax-qualified pension fund. Employers, who do not comply with the law by the deadline, are subject to significant penalties. However, an exceptional compliance deadline until December 31, 2006, applies to all those retirement bonuses (lump-sum) that are included in external company agreements (sectarian, provincial, etc.).

Effective January 1, 2021, the standard technical interest for insurance policies issued by the DGS (General Directorate of Insurance) is 0.54%. In addition, Insurance Companies can offer a percentage of profit sharing for the difference between real investment return and technical interest rate.

As a result of the May 19, 1994 Law of Labor Reform and the May 16, 1997 Regulations, several significant changes have appeared in the workers' legislation. Among them are the following:

a) Easier conditions are available for employers to move workers geographically.

b) Substantial modification of individual or group working conditions (hours of work, shifts, retribution system, performance and efficiency systems, duties) can be established by the management whenever proven economical, technical, organizational, or for reasons of production.

c) Suspension of the working contract due to economical, technical, organizational, or productive causes, or as a result of compelling reasons, is possible at the employer's initiative. Dismissal indemnity in those cases will be 20 days of salary per service year, instead of the standard 45.

d) Regulation of Practical and Apprenticeship Contracts and part-time work contracts.

   - Practical Work Contract:
     This group is for qualified individuals or those having a certain degree as determined by the Sector Collective Agreement. In the four years following graduation, they can apply for this type of contract according to several requirements:
     - The job must provide opportunities for acquiring professional experience related to the studies attended.
     - Duration: Between six months and two years.
     - Remuneration according to the Sector Working Agreement amounting to at least 60% of the normal salary for a similar position and 75% during the second year.
   - Apprenticeship Contract:
     - This type of contract is for unemployed workers who require specific training to reach a particular level of qualification.
     - Eligibility: Individuals over 16 years old and under 30 years old who are not entitled to apply for a Practical Work Contract, and handicapped persons.
     - Duration: In general, minimum one year over six months and maximum 3 years under two years.
     - Remuneration according to the Sector Working Agreement and never under the minimum inter-professional salary.
   - Part-Time Work Contracts:
     - Whenever the worker's job is lower in number of working hours in a day, week, month or year to what is considered normal in whatever activity during those periods of time.
     - Duration: For an indefinite period or determined period of time.
   - Employment Promotion Contracts:
     - Provides for a special involuntary termination indemnity of 33 days pay per year of service (maximum 24 months' pay).
     - Eligibility: Individuals between 18 and 30, those over 45 years old, long-term unemployed or handicapped workers.
     - Duration: For an indefinite time.

e) Conversion of fixed or temporary contracts to indefinite contracts: Social Security credits, equal to 40% of company contributions, will be granted for employers that hire new workers with work contracts for an indefinite period of time. Credit is provided for a period of up to 24 months.
   If a fixed or temporary contract is converted to an indefinite contract, or if the contract is for a handicapped person, the credit will be increased to 50% for up to 24 months.
   If a contract covers a long-term unemployed woman, who works in an under-represented field for women, the credit will be 60%. For any unemployed person over 45 years of age, the credit will be 60% for the first 24 months, and 50% thereafter.

f) Any individual, who is within three years of normal retirement and who meets the requirements for the Social Security pension, can reduce the work time and salary by 50% and begin receiving Social Security benefits.
   A part-time employee must be hired as a replacement for the reduced work hours.

Spain Implements Pension Reform Law

On January 1, Spain's government implemented a new law that makes numerous reforms to the country's old-age pension system, which include increasing early retirement penalties, expanding pension deferral bonus options, eliminating social security contributions for certain older workers, establishing a new sustainability mechanism, adopting a new benefit adjustment method, and creating a new social security agency. The law codifies many of the changes agreed to by the government, labor unions, and employer associations in the 2020 Toledo Pact. The law's main aims are to improve the financial sustainability of Spain's pension system while bolstering the retirement security of current and future retirees. In addition, the European Commission is requiring Spain and other European Union members to enact significant economic reforms, including pension changes, as a condition for receiving assistance from the bloc's €724 billion (US$820 billion) pandemic recovery fund established in February 2021. (Spain is slated to receive around €140 billion [US$159 billion] from the fund, which would make it one of the largest recipients.) According to the government, Spain spent 12 percent of its gross domestic product (GDP) on public pensions in 2021, which was up from 9.6 percent a decade earlier.

The key provisions of the reform law (all effective January 1 unless otherwise noted) include:

- Increasing early retirement penalties

The contributory pension program continues to allow insured individuals to claim their old-age pensions up to 24 months early if they have at least 35 years of contributions (for voluntary retirement) or up to 48 months early if they have at least 33 years of contributions (for involuntary retirement, which occurs when older individuals become unemployed for reasons beyond their control, such as a business closure). However, under the new law, the penalties for voluntary and involuntary retirement are now applied to the pension amount (rather than the regulatory earnings base used to calculate the pension) and on a monthly (rather than quarterly) basis. In addition, the penalty rates for voluntary retirement have been redesigned so that they not only vary depending on the length of a pensioner's contribution record, but also the duration of early retirement (with the penalty rates progressively increasing for each month of early retirement up to the maximum 24 months). Starting on January 1, 2024, the new penalty rates will also be gradually phased in over a 10-year period for individuals who are currently subject to special early retirement penalty rules because they have higher lifetime earnings. Although the maximum penalties for involuntary early retirement have not changed, those retiring under this option can now choose to use the penalty rates for voluntary early retirement in the calculation of their pensions if they are more favorable.

- Expanding pension deferral bonus options

Individuals who defer claiming their contributory old-age pensions until after the normal retirement age can now choose to receive a 4 percent pension increase for each year of deferral, a lump-sum payment of up to €12,000 (US$13,591.20)—depending on their base pension amounts—for each year of deferral, or a combination of these two bonuses. Previously, the only bonus option was a pension increase of 2 percent to 4 percent (depending on the length of a retiree's contribution record) for each year of deferral.

- Eliminating social security contributions for certain older workers

Workers and their employers are now exempt from paying most social security contributions if the workers have reached the normal retirement age and continue to be employed.

- Establishing a new sustainability mechanism

The law has established an Intergenerational Equity Mechanism (MEI) to replace the Sustainability Factor to maintain the financial balance of the pension system. (The Sustainability Factor was created in 2013 but was later discontinued.) Under the MEI, a social security reserve fund will be used to increase the income of the pension system from 2023 to 2032 consisting of 0.6% of the contribution for common contingencies, 0.5% company and 0.1% worker.
This item will serve as a reserve in the event that a diversion of pension spending is foreseen for 2050.
If (up to 0.2 percent of GDP per year) as of 2033 the European Commission's aging reports (Ageing Report) reveal a deviation from the expenditure forecast in 2050, the aforementioned Fund will be used, with an annual limit of 0 .2% of the Gross Domestic Product (GDP).

- Adopting a new benefit adjustment method

Contributory old-age pensions will now be adjusted each January based on the annual change in Spain's consumer price index (CPI) registered in November of the previous year. However, if the previous year's CPI change was negative, no benefit adjustment will be made. This method replaces one based on a revaluation index, which linked benefit adjustments to several factors, including the pension system's revenues and expenditures. As a result of the new method, the government increased contributory pensions by 2.5 percent at the beginning of 2022.

- Creating a new social security agency

By July 1, 2022, the government must approve additional legislation creating a State Agency for Social Security Administration that will centralize and modernize social security administration in Spain. Currently, the country's social security system is administered by several public entities, including the National Institute of Social Security (contributory pensions) and the Institute of Elderly and Social Services (non-contributory pensions and in-kind complementary benefits).

Spain's old-age pension system consists of contributory and non-contributory programs. To qualify for a contributory old-age pension, an individual must have reached age 66 and 2 months (gradually rising to age 67 by 2027) and have at least 15 years of contributions, including 2 years within the last 15 years before retirement. (The normal retirement age is reduced to age 65 for individuals with at least 37 years and 6 months of contributions.). The non-contributory old-age pension is paid to individuals who have reached age 65, have resided in Spain for at least 10 years since age 16 (including the last 2 years before retirement), and have household income below certain limits.

Introduction:

Spanish Social Security has developed rapidly since 1963, giving health protection at present to the entire population and covering for pensions nearly 100% of all private company employees. The total number of persons contributing to the system is 19.16 million.

In 1972, Social Security initiated some important change. Up to that time, both contributions and benefits were calculated from a Tariff Base that included 12 professional categories. In 1972, Social Security resolved that real salaries would be the basis for contributions and benefits, and created the Complementary Base as an instrument that would aid the transition from one system to the other. The real salary goal should have been reached in 1975, but economic difficulties made it unachievable.

Throughout 1978, both bases continued to exist. In practice, the real salary objective had been reached for a large percentage of the population. This fact, together with the existence of one general contribution rate (except for contingencies such as labor accidents, work-related illness, and unemployment) allowed for the establishment in 1979 of minimum and maximum bases that were substituted for the previous Tariff and Complementary Bases.

Excluding unemployment, labor accidents and work-related illness, the Social Security budget for 2022–is € 172 billion. This budget is allocated in the following manner: 95.56% for pension payments; 0.97% health care (the largest part is paid by the local governments), and the remaining 3.47% divided between family allowances, sickness, and other social services.

Contributions to Social Security represent approximately 28.3% of the total labor cost, which is higher than in other EU countries. The ever-increasing requirements of Social Security have produced a situation, whereby a revision of Social Security has become an urgent matter actively being discussed.

On August 1, 1985, the first announced Reform of Social Security took place, affecting essentially old-age and permanent disability pensions. The law introduced a revaluation guarantee of pensions according to the Consumer Price Index; applications for pensions were possible even if the applicant was not contributing to Social Security at that moment; the minimum contribution period to qualify for pensions was fixed at 15 years; and the calculation of the Regulating Base for old-age and permanent disability pensions was extended to cover the last eight years of contributions.

Assessment Base:

The annual minimum and maximum assessment bases in effect for 2022 are shown in Appendix A. The maximum annual base for all categories now reaches € 4,139.40 (monthly) and € 49,672.80 (annually).
In the past, the maximum base increased at rates that surpassed those of salary increases, although recently this tendency has slowed.

Social Security Contributions:

Year	Basic Social Security Contribution Rate
1995-2022	28.3%

The 28.3% basic contribution rate is broken down as follows: 23.6% paid by the employer and 4.7% paid by the employee.
For labor accidents and work-related illness, special contributions are established depending on the professional activity and are paid exclusively by the employer. Contributions for labor accidents, work-related illness, and unemployment are based on real salaries up to an annual ceiling of € 49,672.80

Additional contributions are applied whenever the use of overtime exists. If overtime is beyond the control of the employer or is paid for reasons defined in the respective Collective Agreement, the overtime contribution rate is 12% paid by the employer and 2% by the employee. Mentioned reasons may be unforeseen orders, seasonal production requirements, and other reasons that may not be substituted by the hiring of new employees. If overtime is not in response to one of the above reasons, the contribution rate is 28.3%. These contributions have the sole effect of penalizing work hours above established hours that do not have any benefit counterpart.

There is an additional Guarantee Salary Fund contribution that was first established in 1977 to guarantee payment of overdue salaries and Social Security contributions for companies that become insolvent or which are in serious financial difficulties.

	Rate	Employer	Employee
Social Security	28.30%	23.60%	4.70%
Unemployment	7.05%	5.50%	1.55%
Guarantee Salary Fund	0.20%	0.20%	0.00%
Professional Development	0.70%	0.60%	0.10%
Total	**36.25%**	29.90%	6.35%

Employers pay additional contributions for overtime and labor accident risk.
The evolution of contributions can be found in Appendix B.

DEATH BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
Qualifying Criteria 500 contribution days within the last five years before decease or if already retired. **Regulating Base** The base is obtained by calculating the average of the Assessment Base during a 24-month period, selected from the last 15 years. **Spouse's/ domestic partner's Pension** ➢ 52% of the deceased employee's Regulating Base if he or she was still employed at the time of death. ➢ 70% if there are family dependents and this pension is the main or only source of income. If the deceased was a pensioner, the spouse will receive 52% of the Regulating Base used to calculate the insured's pension, plus all the pension revaluations from the moment the insured became a pensioner until his or her death. The maximum limit of 60% of the original Regulating Base is used for the calculation of the retirement benefit. Both types of spouse's pensions have a minimum depending on age: € 10,103.80 if the widow/er is aged 65 or older, € 9,452.80 if the widow/er is aged 60-64, €7,655.20 if the widow/er is below 60 years of age and has no family dependents, € 11,688.60 if the widow/er is below 60 years of age and has family dependents. **Orphan's Pension** Eligibility • The children of the deceased, whatever the legal nature of their relationship. • The children of the surviving spouse brought to the marriage, as long as this took place two years before the death of the insured, had lived at his expense and also do not have the right to another Social Security pension, nor are there family members with the obligation and possibility of providing them with food, according to the civil legislation. On the date of the insured's death, the children stated in the two paragraphs above must be: Under 21 years of age or over 21 with a reduced work capacity at a percentage valued at a degree of absolute permanent disability or outstanding disability. Benefit: The orphan's pension is equal to 20% of the Regulating Base for each orphan, up to a maximum of € 2,924.49 per year. If the child has lost both parents, the minimum will be increased to € 10,172.13 per year, distributed among all the beneficiaries. **Relative's Pension** 20% of the Regulating Base whenever parents, brothers, grandsons and grandfathers fulfill certain requirements, such as living with - or are dependent on the deceased. A minimum amount of € 3,089.80 per year is payable for one relative.	Social Security does not provide a lump sum death benefit. For many years, this has made it possible for group term life insurance to be included in private benefit plans. Insured volumes are typically related directly to wages and may range from one and a half to three years' salary. A frequent rider provides coverage for permanent and total disability, in an amount equal to the death benefit. Double indemnity in case of accidental death is now getting more common. Complementary private pensions for widow's and orphans' pensions are also available, with percentages similar to those granted by Social Security, but calculated on the projected retirement pension.

DISABILITY BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
Temporary Incapacity Qualifying Criteria All employees suffering from injury or illness are eligible for benefits. A temporary incapacity situation is when an employee has a health problem and is unable to work. This situation can be maintained for a maximum of 18 months. The employee must have completed 180 days of contributions during the 5 years preceding the onset of the disability or illness. No minimum period of contributions is required in case of work related accident or illness. Regulating Base Final month's Assessment Base. Benefit Employees are entitled to the incapacity benefit while they are under medical care, for a period of 12 months (with a possible 6 months extension). If the employee is still unable to work at the end of the 6 month extension period, but is still receiving medical care and recovery is possible, then benefits will continue but will be classified as provisional disability. This benefit amounts to 60% of the Regulating Base and is paid from the 4th to the 20th day. From the 21st day of sickness, the benefit increases to 75% of the Regulating Base. **Temporary Disability** Qualifying Criteria Same as Temporary Incapacity; if the health problem continues and a recovery is expected, this situation can be extended for a maximum of 6 years by a Temporary disability. After that maximum period the employee will have to start working or be qualified as permanently disabled. Regulating Base (Same as Temporary Incapacity) Benefit The benefit payable is a pension equal to 75% of the Regulating Base. This benefit is paid until the insured is able to return to work or until declared permanently disabled, for a maximum of six years.	A frequent rider to the group life benefit provides coverage for permanent and total disability, in an amount equal to the death benefit. Complementary private pensions for permanent and total disability are also available, with percentages similar to those granted by Social Security, but calculated on the projected retirement pension.

DISABILITY BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
Permanent Disability Qualifying Criteria If the person is under age 26 at the time of disability, the minimum period of contributions required is equivalent to one half the time between his or her 16th birthday and the date of disability. If the person is 26 years or older at the time of disability, the minimum period of contributions required is equivalent to one quarter of the time between his or her 20th birthday and the date of disability. A minimum period of five years of contributions is required. Regulating Base Same as old age pension, except in the case of partial disability, where the base for this contingency is the same as that used to determine the benefit for temporary disability. Benefit Once the employee is declared permanently disabled, the benefit depends upon the degree of disability. • *Partial Disability* A degree of disablement of at least 33%. The benefit payable is a lump-sum equal to 24 times the Regulating Base. • *Total Disability* Inability to perform one's normal work. The benefit payable is a pension equal to 55% of the Regulating Base. This percentage increases to 75% whenever disability occurs after age 55. If disablement occurs before age 60, the employee has the option of receiving either a lump-sum equivalent or a pension when he or she attains age 60. When the disabled is over age 65 and with a dependent spouse, a minimum annual pension of € 12,467.00 is granted. If there is no dependent spouse, the minimum annual pension is € 10,103.80 • *Absolute Disability* Inability to perform any work. The benefit is a pension equal to 100% of the Regulating Base with a minimum annual pension of € 12,467.00 to be granted. If there is no dependent spouse, the minimum annual pension is € 10,103.80 • *Severe Disability* Disability that requires constant attendance. The benefit is a pension equal to 100% of the Regulating Base + 45% actual minimum base of contribution + 30% last regulating base, with a minimum of 45% of the pension without the complement.	

MEDICAL BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
Qualifying Criteria All employees and their families and Social Security pensioners are covered for hospital and medical assistance. There is no minimum contribution requirement. Benefits Benefits consist of full medical services, including general medicine, specialist care, surgery, emergency treatment, and hospital care. All of these services are provided in clinics and hospitals controlled by the Social Security Administration, and by doctors who are employees of the system. Home medical treatment, when necessary, is also available. Generally, prescribed medicines are free if dispensed in a Social Security clinic or hospital but otherwise they are subject to a co-payment of 40% of the cost by the patient. For chronic or serious illnesses, patients pay 10%.	Since June 1972 all employees have been covered by Social Security Health Insurance. Nevertheless, some insurance companies do offer privately insured medical plans that may be underwritten individually or on a group basis. These policies are attractive to those who consider Social Security's facilities inadequate and who have sufficient purchasing power to pay for this coverage. Some corporations offer these plans to their employees due to tax treatment (the premiums are not considered as tax income up to € 500 per year). The demand for group health insurance has been growing in the last few years and is expected to continue growing in the future.

RETIREMENT BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
Benefits The percentage varies depending on the number of years of contributions paid to Social Security, applying a scale that starts at 50% at 15 years, increasing from the sixteenth year 0.19% for each additional month of contributions between months 1 and 248, and by 0.18% for the month exceeding 248, but the rate applicable to the regulatory base exceeds 100%, except in cases where the pension is accessed over the age at which is applicable. A minimum annual pension has been established for 2022 that is equal to € 12,467.00 for retirees with a dependent spouse, and € 10,103.80 for retirees without a dependent spouse. A maximum pension equal to **€ 39,469.00** per year has also been established.	Pension plans that are complementary to Social Security have developed in a most irregular way. (1) Deposit administration plans have continued to grow in popularity. Additionally, the appearance of the Corporate Tax Law of 1979, together with the Pension Fund Law of 1987 and its accompanying regulations (issued in November of 1988) governing Trust Pension Funds, have had an important impact on the development of private plans funded outside the company. The Royal Decree 1588/99 implemented the provisions of the insurance law of 1995, which requires all pension plans to be funded under either a group life insurance contract or a tax-qualified pension plan. Thus, non-funded pensions, including pay-as-you-go plans or book reserves, are illegal after November 16, 2002. Significant penalties will be levied against employers who do not comply. The Pension Fund Law and its regulations represent the first comprehensive pension legislation in Spain. This Law provides for favorable tax treatment to be afforded to retirement plans that meet specified funding, nondiscrimination, filing, disclosure, and other requirements. Additionally, in order to have a qualified plan, a control committee has to be set up with a majority of employee representation. Complementary private pension plans usually have a target retirement benefit (inclusive of Social Security) that is equal to 70% - 80% of final annual salary or of the final two years' average salary, after a full career. Complementary private pensions for permanent and total disability, as well as for widow's and orphans' pensions are also available, with percentages similar to those granted by Social Security, but calculated on the projected retirement pension.

(1) Prior to 1972 Spanish Social Security benefits were alarmingly low. It would have been logical, at that moment, for a rapid expansion of private plans to take place, but this did not occur, primarily due to a lack of proper avenues for investment. Employers could only react one way—by improving Social Security contributions and, after that, by creating their own reserves or contracting with insurance companies who would offer pure endowment policies with very low interest rates in conformity with the investment laws in force at that time.

This meant that most of the existing plans were not funded, but simply considered retired employees as an addition to the active employees' payroll.

This situation was altered by the law of 1970 that liberalized, to a substantial degree, the investments of insurance companies. One year later, this measure enabled Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (CASER) to become the first insurance company in Spain to obtain authorization for a deposit administration contract.

Social Security itself changed in June 1972, making real earnings the center of the system, not only for contributory aspects, but also for benefits, while maintaining the same pension percentages as before the reform. This removed the need to complement Social Security for the majority of employees, retaining this necessity for only a small fraction (approximately 10%) of better than average paid employees.

Retirement Benefits – Additional Information

As from January 1, 2013, the age for entitlement to a retirement pension depends on the age of the individual and accumulated retirement contributions paid during the individual's career. The age requirements are: 67 years or, 65 years if one can prove 38 years and 6 months of contributions. The normal retirement age and contribution periods will be implemented in phases, as displayed in the following table:

YEAR	CONTRIBUTION PERIOD	AGE REQUIREMENT
2013	Minimum 35 years and 3 months	65 years
	Less than 35 years and 3 months	65 years and 1 month
2014	Minimum 35 years and 6 months	65 years
	Less than 35 years and 6 months	65 years and 2 months
2015	Minimum 35 years and 9 months	65 years
	Less than 35 years and 9 months	65 years and 3 months
2016	Minimum 36 or more years	65 years
	Less than 36 years	65 years and 4 months
2017	Minimum 36 years and 3 months	65 years
	Less than 36 years and 3 months	65 years and 5 months
2018	Minimum 36 years and 6 months	65 years
	Less than 36 years and 6 months	65 years and 6 months
2019	Minimum 36 years and 9 months	65 years
	Less than 36 years and 9 months	65 years and 8 months
2020	Minimum 37 or more years	65 years
	Less than 37 years	65 years and 10 months
2021	Minimum 37 years and 3 months	65 years
	Less than 37 years and 3 months	66 years
2022	Minimum 37 years and 6 months	65 years
	Less than 37 years and 6 months	66 years and 2 months
2023	Minimum 37 years and 9 months	65 years
	Less than 37 years and 9 months	66 years and 4 months
2024	Minimum 38 or more years	65 years
	Less than 38 years	66 years and 6 months
2025	Minimum 38 years and 3 months	65 years
	Less than 38 years and 3 months	66 years and 8 months
2026	Minimum 38 years and 3 months	65 years
	Less than 38 years and 3 months	66 years and 10 months
From 2027	Minimum 38 years and 6 months	65 years
	Less than 38 years and 6 months	67 years

The percentage varies depending on the number of years of Social Security contributions paid, by applying a scale that starts at 50% at 15 years, increasing from the sixteenth year by 0.19% for each additional month of contributions between months 1 and 248, and by 0.18% for the months exceeding 248, but the rate applicable to the regulatory base exceeds 100%, except in cases where the pension is accessed over the age at which is applicable. A pension benefit is equal to 100% of the Regulating Base after 38 years and six months of contributions.

From 2013 until 2027, the above percentages shall be replaced by the following:

PERIOD	FIRST 15 YEARS		Additional years				TOTAL	
	Years	%	Additional months	COEFFICIENT	%	Years	Years	%
2013 to 2019	15	50	1 up to 163 83 remaining	0.21 0.19	34.23 15.77			
	15	50	**Total 246 months**		**50.00**	**20,5**	**35,5**	**100**
2020 to 2022	15	50	1 up to 106 146 remaining	0.21 0.19	22.26 27.74			
	15	50	**Total 252 months**		**50.00**	**21**	**36**	**100**
2023 to 2026	15	50	1 up to 49 209 remaining	0.21 0.19	10.29 39.71			
	15	50	**Total 258 months**		**50.00**	**21,5**	**36,5**	**100**
From 2027	15	50	1 up to 248 16 remaining	0.19 0.18	47.12 2.88			
	15	50	**Total 264 months**		**50.00**	**22**	**37**	**100**

Exception

Retirement age remains at 65 years for those who fall under the law in force prior to 01-01-2013, this in accordance with the law 27/2011 of August 1.

The percentage varies depending on the number of years of contributions to Social Security, applying a scale that begins with 50% at 15 years of contributions, increasing by 3% for each additional year between the 16th and the twenty-fifth year and by an additional 2% from the 26th year until it reaches the full 100% at the 35th year.

Beneficiaries must have 15 years of contributions of which at least two years must be included in the 15 years immediately before retirement.

Early retirement

- Voluntary Early Retirement

  Minimum 35 years of contributions.

  The legal age for early retirement is a maximum of two years prior to the normal age for a retirement pension.
  From 2021 the legal age is 66 years and will be increased gradually to reach 67 years in 2027.

  Reduction coefficient for Voluntary Early Retirement of 2% per quarter for workers with less than 38 years and 6 months of contributions, 1.875% with more than this period but less than 41 years and 6 months and 1.750% for this same period and less than 44 years and 6 months and 1.625% who have contributed more than 44 years and 6 months.

- Forced Early Retirement

  Minimum 33 years of contributions.

  The standard establishes four years before the legal retirement age. In 2021 the minimum age for early retirement is 62 years and will increase gradually each year until it reaches age 63 in 2027.

  Reduction coefficient for Forced Early Retirement of 1.875% per quarter for workers with less than 38 years and 6 months of contributions, 1.750% with more than this period but less than 41 years and 6 months and 1.625% for this same period and less than 44 years and 6 months and 1.50% who have contributed more than 44 years and 6 months.

Partial Retirement
A minimum period of 33 years of contribution is required in order to take advantage of this form of retirement.
The applicant may reduce the time from 25 % to maximum 50%.

Flexible Retirement
The fact that one is entitled to work on a part-time job basis during retirement is considered to be a derivative to this system. An individual who opts for part-time employment will see his/her pension reduced in inverse proportion to the reduction of the pensioner's working day, as compared to that of a full-time worker.

Regulating Base
The amount of the pension is determined by applying the overall percentage that corresponds according to the years quoted to the regulating base.

From the year 2022, the pension base is the quotient resulting from dividing the contribution bases by 350 during the 300 months immediately preceding the month prior to the triggering event.

The contribution base is the amount to which a percentage applies (the so-called contribution rate) and is used for determining the obligation to contribute to Social Security.

If you access the pension from a working situation or assimilated without obligation to contribute, the period of base pension determination cannot be back to the moment contribution obligation ceased.

Assimilated situation takes place in certain cases expressly established by law that produced the temporary or definitive cessation of work, like legal situation of unemployment, child care permission and maternity leave, etc.

For those people that fall under the law in force prior to 01/01/2013, the pension base is the quotient resulting from dividing by 210 the contribution bases during 180 months immediately preceding the month prior to the triggering event.

From January 1, 2013, the number of months will rise progressively at 12 months per year as illustrated in the following table, which indicates the number of months each year computable up to 300 in 2022 and the corresponding:

YEAR	Nr. months of eligible/Divider	Years elegible
2013	192/224	16
2014	204/238	17
2015	216/252	18
2016	228/266	19
2017	240/280	20
2018	252/294	21
2019	264/308	22
2020	276/322	23
2021	288/336	24
2022	300/350	25

Other Social Security Benefits

Workmen's Compensation

In case of death, incapacity, or disability caused by a labor accident or occupational disease, Social Security benefits become payable whether or not the employee has fulfilled the contribution requirements. The rates and benefits are based on real monthly earnings up to a ceiling regardless of the employee's occupational group.

In addition to the survivors' benefits, a lump-sum equivalent to six times the last monthly earnings is paid to the widow. This amount is increased by the last monthly earnings for each orphan

Family Allowance

Qualifying Criteria:	This benefit is payable when an unemployed worker has used up all unemployment benefits and has family liabilities (spouse and/or children under age 26) and when the total family income does not exceed 75% of the minimum inter-professional salary (€ 950.00 per month in year 2021).
Benefits:	Difference between total family income and 75% (€ 950.00 per month in year 2021) of the minimum inter-professional salary, payable for six months, with a possible extension of up to 18 months.

Maternity

Qualifying Criteria:	Pregnant employees are eligible for benefits, if they have completed at least 180 days of contributions during the 5 years preceding childbirth or legal adoption date. Effective as of January 2003, mothers who work away from home and who have children younger than age 3, are entitled to a special mother's allowance of € 100 per month per child (€ 1,200 annually).
Regulating Base:	Final month's Assessment Base.
Benefit:	The employee receives a benefit equal to 100% of the applicable Regulating Base. The six-week period prior to confinement is voluntary, but during the eight weeks following confinement she is required to cease any form of work. The voluntary period may be added to the mandatory eight weeks after confinement if not used beforehand.

Permanent Injury without Disablement

This category includes labor accidents that produce permanent injury but not disablement.

The lump-sum benefit varies according to type of injury, for example:

	€
Loss of an ear	1,810.00
Loss of index finger	2,420.00
Incapacity to move an elbow	2,940.00
Difficulty in moving left/right wrist	2,420.00

Unemployment

Introduction:

Unemployment benefits are not included in Social Security and are, therefore, not included in the budget. They are financed 60% by employer/employee contributions, and the State contributes for the remaining 40%.

Qualifying Criteria:

All persons, who are unemployed for any reason beyond their control, or who are only partially employed (i.e., those whose working hours and earnings have been reduced by at least 1/3) are eligible, provided that they have contributed to the Social Security for twelve months during the last six years before declaration of unemployment.
Has not reached the retirement age.
Not being affected by incompatibility.

Assessment Base:

The average contribution base for Social Security, during the 180 days preceding the unemployment.

Term of Benefit Payment:

Unemployment benefits vary according to the length of time the employee has been contributing to Social Security, as shown in the following table:

Contribution Period:	Maximum Period During which the Benefit is Paid:
From 360 to 539 days	120 days
From 540 to 719 days	180 days
From 720 to 899 days	240 days
From 900 to 1,079 days	300 days
From 1,080 to 1,259 days	360 days
From 1,260 to 1,439 days	420 days
From 1,440 to 1,619 days	480 days
From 1,620 to 1,799 days	540 days
From 1,800 to 1,979 days	600 days
From 1,980 to 2,159 days	660 days
From 2,160	720 days

These maximum periods of benefit payments may be increased to 24 months for those cases in which this extension will enable the beneficiary to attain an old-age retirement pension. Likewise, the authorities have established exceptional measures that concern unemployed persons that have reached the maximum period during which the normal benefits are paid.

Level of Benefits:

During the first six months, the benefit will be 70% of the Assessment Base and the benefit will be reduced to 50% thereafter.

- Minimum annuities are referred to the IPREM index (public indicator of revenue of multiples effects, it is the indicator in Spain for the calculation of the income threshold to many effects, such as help for housing, scholarship, of unemployment). The 2020 IPREM is equal to € 537.84 per month (14 payments). It has been frozen since 2017. Minimum annuities without children under 26 years of age: 80% IPREM * (1+1/6).
- Minimum annuities with children under 26 years of age: 107% IPREM * (1+1/6)

Maximum annuities are referred to the IPREM index as well.

- Maximum annuities without children under 26 years of age: 175% IPREM * (1+1/6)
- Maximum annuities with one child under 26 years of age: 200% IPREM * (1+1/6)
- Maximum annuities with more than one child under 26 years of age: 225% IPREM * (1+1/6)

Taxation

Type of Insurance	Contributions	Benefits
Qualified Pension Plan (QPP)	Employer: Contributions, within the limit, are fully tax deductible Employee: Contributions, within the limit, are fully tax deductible	Company and Employees limit contributions may not exceed € 10,000 (*) of annual tax income, employee contribution is capped a maximum of € 1,500.00 in individual Plan (*) if employee contributes only in Employer Plan
Group Life Insurance (Savings)	Employer: Depending on the imputation of contributions: • Not imputed: deferred corporate tax deduction until the employee gets the benefit (retirement, disability or death). • Imputed: immediate deduction in corporate tax Employee: Typically, no employee contributions due to tax inefficient treatment (although they are possible under this financing vehicle)	Depends on the tax treatment (at the company's decision): If premiums are not taxable (not imputed) for employees, vested rights design is at the company's decision (full flexibility). If premiums are considered as taxable (imputed) for employees, they are fully and immediately vested.
PPSE (Social Provision Company Plan)	Employer: Contributions, within the limit, are fully tax deductible Employee: Contributions, within the limit, are fully tax deductible	Company and Employees limit contributions may not exceed € 10,000 of annual tax income
Group Life	Employer: Contributions, are fully tax deductible Employee: None contributions	Salary in kind in the employee tax income

Company Retirement Benefits

- 59% of the companies provide retirement benefits.
- 70% of the companies have all the employees eligible to join the plan.
- 57% of the companies define benefits on the base salary only.
- 74% of the companies provide a defined contribution plan, 17% a defined benefit plan.
- The defined contribution is typically between 4% and 8% of average base salary.
- The defined benefits cover 1.5 to 2% of earnings per year of service, with maximum pensions of 60% to 70% of final base salary after a full career.
- Normal retirement age in the plan is age 65.
- Typically the employee does not contribute for the pension plan.

Life and Disability Insurance Benefits

- 81% of the companies provide life insurance benefits.
- 70% of the companies have all the employees eligible to join the plan.
- Life insurance plans cover from one to three year’s annual base salary (increase is depending on managerial level).
- In principle the life insurance benefits are paid as a lump sum.
- 81% of the companies provide disability insurance, mainly for salaried employees.
- The typical coverage for permanent and total disability is an amount equal to the life insurance benefit.
- 81% of the companies also provide accidental death insurance, but limited to managerial employees (lump sum to double the life coverage).

Medical Insurance Benefits

- 63% of the companies provide medical benefits.
- 63% of the companies pay the premium for the employee only, and not or only partially for the partner and dependents.
- 76% of the companies pay the premium for the employee and family members of senior executives.
- The monthly premiums for the employee range from € 45 to € 55.
- 65% of the plans have a maximum coverage per year.
- 53% of the companies separately cover dental benefits.

Pharmaceutical Company (700 employees)

Pension Plan

Basis for Calculation of Benefits:	Average salary of last 60 months.
Eligibility Requirements:	Must be at least 25 years old and have a minimum of one year of service.
Level of Pension Benefits	
Old-Age Pension:	1.5% per year of service of the positive difference between the average salary of the last 60 months and the Social Security pension of the last 60 months.
Widow's Pension:	Post-retirement is equal to 60% of old-age pension.
Orphans' Pension:	None
Financing Method:	Insurance Policy
Employee Contribution:	None

Group Life Insurance

Life Plan:	A lump-sum equal to one-time annual earnings for employees under age 30 and not belonging to the sales force. Otherwise, insured amount will be two times annual earnings.
Permanent and Total Disability:	A lump-sum equal to the life plan.
Employee Contribution:	None

Metallurgical Company (40 employees)

Pension Plan

Basis for Calculation of Benefits:	Average salary of the last 24 months.
Eligibility Requirements:	a) Over 21 years old b) Entered the company before reaching age 55 c) Two years of service
Level of Pension Benefits	
Old-Age Pension:	2% of average salary of last 24 months per year of service, with a maximum of 35 years, less the Social Security pension.
Widow's Pension:	Post-retirement is equal to 60% of old-age pension.
Orphans' Pension:	None
Financing Method:	Insurance Policy
Employee Contribution:	None

Group Life Insurance

Life Plan:	An amount equal to two times annual salary, according to a schedule.
Accidental Death:	Double Indemnity in case of accidental death.
Permanent and Total Disability:	A lump-sum equal to the life plan.
Employee Contribution:	None

Chemical Company

Pension Plan (25 managers)

Basis for Calculation of Benefits:	Average salary of the last 24 months.
Eligibility Requirements:	Minimum one year of service.
Level of Pension Benefits	
Old-Age Pension:	2.5% per service year, maximum 30 years, less Social Security pension.
Widow's Pension:	Post-retirement is equal to 60% of retirement pension.
Orphans' Pension:	None
Permanent and Total Disability Pension:	Equal to old-age pension.
Financing Method:	Deposit Administration Contract
Employee Contribution:	None

Group Life Insurance (300 employees)

Life Plan:	A lump-sum equal to two times annual earnings, according to a schedule.
Accidental Death:	None
Permanent and Total Disability:	None
Employee Contribution:	None

Electronics Company (60 employees)

Pension Plan

Basis for Calculation of Benefits:	Average salary of last two years.
Level of Pension Benefits	
Old-Age Pension:	80% of average final earnings reduced by 1% of average final earnings for each year of credited service less than 40 years and reduced by an additional 0.5% for each year of credited service less than 30 years, less Social Security pension.
Widow's Pension:	60% projected old-age pension less Social Security pension.
Orphans' Pension:	15% of the projected old-age pension less Social Security pension; 25% for full orphans.
Permanent and Total Disability Pension:	Waiting period of five years of service. Equal to old-age pension except the percentage increases to 100%.
Financing Method:	Insurance Policy
Employee Contribution:	None

Group Life Insurance

Life Plan:	A lump-sum equivalent to one time annual earnings, according to a schedule.
Accidental Death:	Double Indemnity in case of accidental death.
Permanent and Total Disability:	A lump-sum equal to the life plan.
Contributions:	Employer 100%. Salary in kind taxation for employees

Sample Employee Benefit Plans

Electronics Company (100 employees)

Pension Plan

Basis for Calculation of Benefits:	Average salary of the last 12 months.
Eligibility Requirements:	None
Level of Pension Benefits	
Old-Age Pension:	With 25 or more years of service, 70% of the average salary of the last 12 months less Social Security pension. If service years are less than 25, the resulting old-age pension will be reduced by 4% for each year below 25.
Widow's Pension:	None
Orphans' Pension:	None
Financing Method:	Insurance Policy
Employee Contribution:	None

Group Life Insurance

Life Plan:	An amount equal to 2 times annual salary, according to a schedule; management has coverage of two times annual earnings.
Accidental Death:	None
Permanent and Total Disability:	A lump-sum payment equivalent to the life plan.
Contributions:	Employer 100%. Salary in kind taxation for employees

Endowment Plan

This plan grants, as a lump-sum, 50% of the employee's insured amount in the life plan at age 65 with the condition that the employee retires. This plan is paid entirely by the employer.

Telecommunications Industry (200 employees)

Group Life Insurance

Life Plan:	A lump-sum equal to 1.5 times annual earnings; those employees whose earnings are above Social Security's top maximum ceiling will have an additional lump-sum equal to 50% of the difference.
Accidental Death:	None
Permanent and Total Disability:	A lump-sum payment equivalent to the life plan.
Contributions:	Employer 100%. Salary in kind taxation for employees

Useful Links

Demographic information	CIA World Factbook (please select the country to review)
Macro-Economic indicators	CIA World Factbook (please select the country to review)
ICEA – Statistics from the insurance market	www.icea.es
Unespa – Spanish Management of Insurances companies	www.unespa.es
INVERCO – Association of Investment Institutions	www.inverco.es
Social Security Benefits	www.seg-social.es
More information on the IGP Network Partner:	IGP – Your Local Link in Spain
CASER:	http://www.caser.es *(Main information is available in English, French and Spanish)*

Appendix A: Social Security Monthly Contribution Assessment Base 2022

	Professional Category	Minimum Base (per month)	Maximum Base (per month)
1.	Profession Requiring a University Degree Directors and Engineers	€ 1,629.30	€ 4,139.40
2.	Experts and Assistants Holding a Degree	€ 1,351.20	€ 4,139.40
3.	Office Heads and Department Managers	€ 1,175.40	€ 4,139.40
4.	Technicians and Assistants not Holding a Degree	€ 1,166,70	€ 4,139.40
5.	Administrative Staff	€ 1,166,70	€ 4,139.40
6.	Subordinate Staff	€ 1,166,70	€ 4,139.40
7.	Auxiliary Staff	€ 1,166,70	€ 4,139.40
8.	Skilled Employee, First and Second Category	€ 38.99 (Daily)	€ 137.98 (Daily)
9.	Skilled Employees, Third Class	€ 38.99 (Daily)	€ 137.98 (Daily)
10.	Laborers	€ 38.99 (Daily)	€ 137.98 (Daily)
11.	Apprentices (third and fourth year) and young people between the ages of 16 and 17	€ 38.99 (Daily)	€ 137.98 (Daily)

Appendix B: Evolution of Social Security Contribution Rates

	1990 - 1992	1993	1994	1995-2005	2006-2022
Employer					
Social Security	24.00	24.40	24.40	23.60	23.60
Unemployment	5.20	6.20	6.20	6.20	5.5
Guarantee Salary Fund	0.40	0.40	0.40	0.40	0.20
Professional Development	0.60	0.60	0.60	0.60	0.60
Total	30.20	31.60	31.60	30.80	29.90
Employee					
Social Security	4.80	4.90	4.90	4.70	4.70
Unemployment	1.10	1.10	1.60	1.60	1.55
Guarantee Salary Fund	0.00	0.00	0.00	0.00	0.00
Professional Development	0.10	0.10	0.10	0.10	0.10
Total	6.00	6.10	6.60	6.40	6.35
Total Combined Contributions					
Social Security	28.80	29.30	29.30	28.3	28.30
Unemployment	6.30	7.30	7.80	7.80	7.05
Guarantee Salary Fund	0.40	0.40	0.40	0.40	0.20
Professional Development	0.70	0.70	0.70	0.70	0.70
Grand Total	**36.20**	**37.70**	**38.20**	**37.20**	**36.25**