

Nicaragua

Nicaragua: Pension system 2010

The pension system consists of a pay-as-you go scheme and an income-based defined-benefit scheme.

Key indicators

		Nicaragua	LAC26
Average income	NIO	31 700	152 500
	USD	1 400	7 000
Public pension spending	% of GDP	3.1	3.1
Life expectancy	At birth	74.7	73.6
	At age 65	18.5	17.4
Population over 65	% of working-age population	9.1	12.3

Qualifying conditions

The retirement age is 60 for men and women if they have a contribution record of at least 750 weeks. The number of years of contributions required to qualify are reduced for those who have enrolled in the social insurance system after age 45, who have contributed for half the time they have been in the system from enrolment to retirement age, and who have a record of at least 250 weeks of contributions.

There are two non-contributory pension programmes: a) for victims of war, paid to relatives of the fallen or those who were affected by war and b) special pensions, financed by the state, paid to distinguished citizens for diverse reasons.

Benefit calculation

Old-age pension

The benefit is 40% of the average earnings for benefit calculation purposes (or 45% of the average earnings if they are less than twice the minimum wage) plus 1.365% (or 1.59% if the average earnings are less than twice the minimum wage) for each additional 50 weeks of contributions exceeding 150 weeks. The maximum monthly old-age pension is 80% of the average earnings if the average earnings for benefit calculation purposes are greater than twice the minimum wage, and 100% if the average earnings for benefit calculation purposes are less than twice the minimum wage.

The insured's average earnings is equal to the average of the last 250 weeks of contributions or the 250 weeks before the last 250 weeks of earnings received (whichever is greater) multiplied by 4.33.

For insured people who have contributed to social security for between 1 000 and 1 250 weeks, the average earnings for benefit calculation purposes can be calculated based on the average of the last 200 weeks of contributions multiplied by 4.33; for those who have contributed for at least 1 250 weeks, the benefit is calculated on the average of the last 150 weeks of contributions multiplied by 4.33.

Pensions are paid monthly and an additional payment is made annually in December.

All pensions are pegged to the exchange rate of the USD as of 30 November of each year. In the last five years, pensions have been adjusted by 5%.

Pensions that are less than the minimum wage of the manufacturing industry are periodically adjusted according to changes in the minimum wage approved by the National Commission on the Minimum Wage and depending on the sustainability of the pension system.

Variant careers

Early retirement

There is no early retirement.

Late retirement

The pension can be postponed until age 65. A pensioner who continues to work can receive a pension and a salary but must make the required contributions to the system. The pension increases by 1% for each 50 weeks of contributions after age 60, up to a maximum of 5%.

Personal income tax and social security contributions.

Taxation of workers

Income tax tables are as follows:

Natural persons

Taxable income (brackets)		Base tax	Applicable percentage	On amounts above
From	To			
1.00	50 000.00	-	0	-
50 000.01	100 000.00	-	10	50 000
100 000.01	200 000.00	5 000.00	15	100 000
200 000.01	300 000.00	20 000.00	20	200 000
300 000.01	500 000.00	40 000.00	25	300 000
500 000.01	Or more	90 000.00	30	500 000

Wage earners

Taxable income (brackets)		Base tax	Applicable percentage	On amounts above
From	To			
1.00	75 000.00	-	0	-
75 000.01	100 000.00	-	10	75 000
100 000.01	200 000.00	2 500.00	15	100 000
200 000.01	300 000.00	17 500.00	20	200 000
300 000.01	500 000.00	37 500.00	25	300 000
500 000.01	Or more	87 500.00	30	500 000

Social security contributions paid by workers

There are two insurance schemes:

Integrated: Workers are insured to protect against disability, old age and death, particularly through pensions, in case of work-related accidents or illnesses, as well as health (sickness and maternity).

IVM-RP: Workers are insured to protect against disability, old age and death, particularly through pensions, in case of work-related accidents or illnesses. It applies in regions of the country where the Nicaraguan Social Security Institute cannot offer health care services.

Integrated system

Percentages

Category/Source of financing	Employer	Employee	State	Total
Disability, old age and survivors	7.0	4.0		11.0
Workmen's compensation	1.5			1.5
Sickness/Maternity	6.0	2.25	0.25	8.5
Victims of war	1.5			1.5
Total	16.0	6.25	0.25	22.5

IVM-RP scheme

Percentages

Category/Source of financing	Employer	Employee	State	Total
Disability, old age and survivors	7.0	4.0		11.0
Workmen's compensation	1.5			1.5
Victims of war	1.5	0.25		1.75
Total	10.0	4.25	0.0	14.25

For voluntary contributions, either 10% of declared income (for old-age, disability and survivors and dependents benefits), or 18.25% of declared income (for old-age, disability and survivors and dependents benefits, health and maternity benefits, and family allowances).

The minimum earnings for benefit calculation purposes are equal to the minimum wage. The legal monthly minimum wage is between NIO 1 767.57 and NIO 4 030.96, based on nine economic sectors.

The maximum earnings for benefit calculation purposes are NIO 37 518.

Contributions to social security finance family allowances.

Taxation of pension income

Pensions are not taxed.

Social security contributions paid by pensioners

Pensioners do not pay social contributions.

Social assistance programmes for old-age population

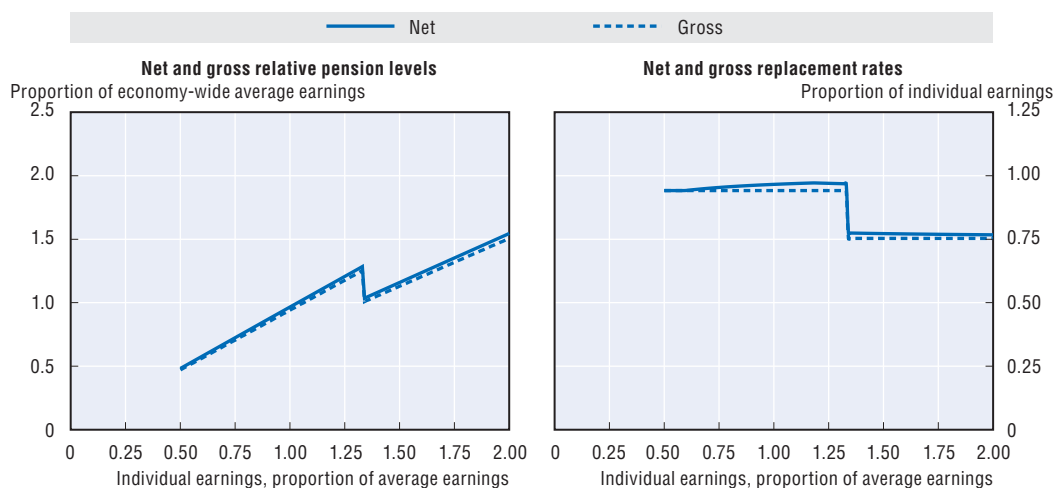
Social welfare pensions

There are pensions for victims of war and special pensions.

Additional programmes

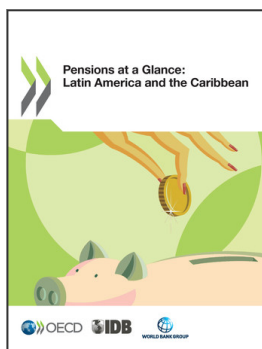
Public sector programmes for the elderly. The government is currently encouraging programmes to protect the low-income or indigent population, especially the elderly, through bonds, credits, and other means.

Pension modelling results: Nicaragua



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 (% average gross earnings)	76.3	47.1	70.6	94.2	113.0	150.7
Net relative pension level (% net average earnings)	78.2	48.3	72.5	96.6	115.9	154.6
Gross replacement rate (% individual gross earnings)	94.2	94.2	94.2	94.2	75.3	75.3
Net replacement rate (% individual net earnings)	95.7	94.2	95.4	96.6	77.2	76.7
Gross pension wealth (multiple of individual gross earnings)	22.7	22.7	22.7	22.7	18.1	18.1
Net pension wealth (multiple of individual gross earnings)	22.7	22.7	22.7	22.7	18.1	18.1
	25.2	25.2	25.2	25.2	20.2	20.2

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