

BRAZIL - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	A state pension is available after 35 years' contributions for men and 30 years' for women. The full state retirement pension is 70% of average final covered earnings up to the contribution ceiling, plus 1% for each year of contributions up to a maximum of 100%. A proportionately reduced pension may be paid after age 48 with 25 to 29 years' contributions for women, and age 53 with 33 to 34 years' contributions for men. Survivors' and disability pensions are also provided. All employees are covered for medical care.
Typical New Pension Plan	Reforms to the state system are making private plans more important. Typical benefits include a defined contribution pension plan to provide a pension from age 60, a lump sum death and disability benefit of 24 to 36 months' earnings, private medical insurance (usually paid for by the employer) and dental insurance (usually paid for by the employee).
Typical Costs	For state retirement and survivors' pensions and medical care, employers pay 20% of earnings and employees pay from 8.0% to 11.0% of earnings up to BRR 3,467.40 a month. For private plans the contribution levels vary widely, typically between 1% and 5% of pay by both employer and employee. Employers are required to pay a contribution of 8% of monthly earnings into each employee's account for severance pay (FGTS).
Tax Implications	Employer contributions to private plans are tax deductible up to 20% of payroll. Employee contributions to state and private plans are tax deductible up to 12% of income. Retirement pensions are taxed as income, on a progressive or regressive basis as selected by the employee. Severance payments are tax free.
Labour Law Issues	All employees are entitled to severance payments under FGTS. There is a statutory vesting period of three years for pension benefits.
Pooling Potential	There is limited scope for multinational pooling, although there were several changes in the market in 2007/08.
International Financial Reporting	International Financial Reporting Standards apply to all listed companies and financial institutions from 2010. The use of IFRSs is not permitted for unlisted companies.
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