

CHILE - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	The retirement system is based on individual capitalised funds, managed by specially authorised private investment companies called Pension Fund Administrators (AFPs). Retirement age is 65 for men and 60 for women. On retirement, the employee can either leave the fund to be managed by the AFP or buy a guarantee pension (renta vitalicia) from an insurance company. The AFPs also provide survivors' and disability benefits. Medical care is provided from the National Health Fund (FONASA) or a private health organisation (ISAPRE).
Typical New Pension Plan	Employees can make additional voluntary contributions of up to 10% of covered earnings to an AFP or to life insurance companies (APV). Employers can also offer voluntary savings plans (APVC), which must be open to all employees at the same employer contribution rate. Employee contributions are voluntary and attract a 15% government subsidy. Employees may be provided with a lump sum death benefit, typically equal to two years' earnings, and private health insurance.
Typical Costs	Employees are required to contribute 10% of their monthly covered earnings to an AFP of their choice, plus an additional 3% for life and disability insurance and 7% for medical care. Covered earnings are earnings up to 60 Unidades de Fomento (UF), which is indexed daily to the Consumer Price Index (see www.uf.cl). Employees also pay 0.6% of monthly earnings to individual severance pay accounts and employers pay 2.4%, based on earnings up to 90 UF for up to 11 years. Employers do not usually contribute towards retirement benefits but may pay contributions towards group life insurance and private additional health insurance.
Tax Implications	Employee contributions to AFPs and employer contributions to APVCs are tax deductible.
Labour Law Issues	Since 1981 all employees have been required to contribute to AFPs for retirement benefits. The terms of the AFPs are regulated by law and by the Superintendent of AFPs. Employees are entitled to severance pay of one month a year up to a maximum of 11 months. Workers' compensation is provided, but this does not cover employers' liability.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	International Financial Reporting Standards apply to all companies.
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